Sankaty High Yield Partners III, L.P.

Financial Statements
December 31, 2009 and 2008
(In Liquidation)

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Partners of Sankaty High Yield Partners III, L.P.

In our opinion, the accompanying statements of net assets (in liquidation), including the schedules of investments (in liquidation) as of December 31, 2009 and 2008, and the related statements of operations (in liquidation) and changes in partners' capital (in liquidation) and of cash flows (in liquidation) present fairly, in all material respects, the financial position of Sankaty High Yield Partners III, L.P. (the "Partnership") at December 31, 2009 and 2008, and the results of its operations, changes in its partners' capital and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the General Partner. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the General Partner, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Partnership violated certain covenants of its Notes Payable Indenture on October 9, 2008, which accelerated the principal payment of the Notes. As a result, the Partnership has changed its basis of accounting for the year ended December 31, 2008 from a going-concern basis to a liquidation basis and has continued to use the liquidation basis for the year ended December 31, 2009.

PricewaterhouseCoopers LLP

March 16, 2010

Sankaty High Yield Partners III, L.P.
Statements of Net Assets (In Liquidation)
For the Years Ended December 31, 2009 and 2008

		2009		2008
Assets				
Investments, at fair value (cost $207,088,229 and $379,814,476)	$	139,448,466	$	221,422,512
Cash and cash equivalents		2,804,431		6,815,380
Interest receivable		1,384,491		3,156,505
Receivable for investments sold		2,573,714		4,870,859
Other Receivable		29,966		-
Total assets	$	146,241,068	$	236,265,256
Liabilities				
Notes payable	$	141,312,600		$256,059,092
Senior Facility		-		13,657,786
Interest rate swap contract payable		-		4,628,898
Payable for investments purchased		-		128,340
Distribution payable		-		150,776
Interest payable		1,673,442		2,469,591
Accrued expenses and other liabilities		2,541,885		2,623,313
Total liabilities		145,527,927		279,717,796
Net Assets	$	713,141	$	(43,452,540)

The accompanying notes are an integral part of these financial statements.

Sankaty High Yield Partners III, L.P.
Statements of Operations (In Liquidation)
For the Years Ended December 31, 2009 and 2008

	2009	2008
Investment Income		
Income:		
Interest (net of witholding taxes of $82 and $336)	$ 11,812,436	$ 32,760,671
Dividends and other income	626,463	5,591,750
Total investment income	12,438,899	38,352,421
Expenses:		
Interest	7,606,469	19,285,626
Management fee	-	6,183,060
Amortization of deferred financing costs	-	949,917
Professional fees and operating expenses	2,212,916	3,421,542
Total expenses	9,819,385	29,840,145
Net investment income	2,619,514	8,512,276
Net realized and unrealized gains and losses		
Net realized gain (loss) on investments (net of withholding taxes of $31,493 and $0)	(50,096,592)	16,255,319
Net realized gain (loss) on foreign currency translation	477,631	(1,738,498)
Net realized gain (loss) on swap contracts	40,528	(5,371,230)
Net realized gain (loss) on deferred financing costs	-	(314,043)
Net change in unrealized appreciation of investments (net of increase in deferred with holding taxes of $130,695 and $0)	90,621,506	(192,409,248)
Net change in unrealized appreciation from foreign currency translation	503,094	3,208,532
Net change in unrealized appreciation of interest rate swap contracts	-	2,297,559
Net realized and unrealized gain (loss)	41,546,167	(178,071,609)
Net increase (decrease) in net assets resulting from operations	$ 44,165,681	$ (169,559,333)

The accompanying notes are an integral part of these financial statements.

Sankaty High Yield Partners III, L.P.
Statements of Changes in Net Assets (In Liquidation)
For the Years Ended December 31, 2009 and 2008

	Limited Partners*	General Partner	Unallocated Deficit**	Total
Balance at December 31, 2007	$ 112,346,629	$ 13,910,940	$ -	$ 126,257,569
Distributions	(150,776)	-	-	(150,776)
Management Fee	(6,183,060)	-	-	(6,183,060)
Carried Interest	8,574,490	(8,574,490)	-	-
Allocation of net decrease in net assets resulting from operations - excluding management fee	(114,587,283)	(5,336,450)	(43,452,540)	(163,376,273)
Balance at December 31, 2008	$ -	$ -	$ (43,452,540)	$ (43,452,540)
Distributions	-	-	-	-
Management Fee	-	-	-	-
Carried Interest	-	-	-	-
Allocation of net increase in net assets resulting from operations	713,141	-	43,452,540	44,165,681
Balance at December 31, 2009	$ 713,141	$ -	$ -	$ 713,141

* Included in the limited partners' capital account balance as of December 31, 2009 and 2008 is $89,171 and $0, respectively, which relates to limited partners who are members of the Bain Capital Group. The Investment Advisor has waived the management fees with respect to these limited partners for the year ended December 31, 2008.

** As of December 31, 2008, the performance of the Partnership resulted in an unallocated deficit of $43,452,540 as recorded above. The limited partners and General Partner had no obligation to make additional contributions for the unallocated deficit upon the liquidation or termination of the Partnership. The unallocated deficit represented the amount of future profits that the Partnership would have had to earn before the limited partners would have been eligible for additional distributions. Refer to Note 10 for further explanation of the allocation of income and loss.

Sankaty High Yield Partners III, L.P.
Statements of Cash Flows (In Liquidation)
For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash provided by operating activities:		
Purchases of investments	$ (10,579,852)	$ (61,184,806)
Proceeds from sales of investments	114,065,490	264,025,561
Proceeds from principal paydowns of investments	19,238,170	39,673,397
	122,723,808	242,514,152
Net effects from foreign currency translation	980,725	1,470,034
Net investment income	2,619,514	8,512,276
Adjustments to reconcile net investment income to net cash provided by operating activities		
Non-cash interest and dividend income	(2,674,379)	(3,641,411)
Amortization of deferred financing	-	949,917
Decrease in interest receivable	1,772,014	2,658,011
Decrease in interest payable	(796,149)	(2,560,551)
Increase (decrease) in accrued expenses and other liabilities	(81,428)	1,887,622
Net cash provided by operating activities	124,544,105	251,790,050
Cash provided by (used for) financing activities:		
Payments on Senior Facility	(13,657,786)	(137,188,616)
Payments on Notes	(121,946,451)	(126,539,083)
Notes Payable capitalized interest	7,199,959	1,598,175
Payments for deferred financing costs	-	(312,500)
Partners' capital distributions	(150,776)	-
Net cash provided by (used for) financing activities	(128,555,054)	(262,442,024)
Net increase (decrease) in cash and cash equivalents	(4,010,949)	(10,651,974)
Cash and cash equivalents, beginning of year	6,815,380	17,467,354
Cash and cash equivalents, end of year	$ 2,804,431	$ 6,815,380
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,202,360	$ 20,248,002

The accompanying notes are an integral part of these financial statements.

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2009

Principal** Amount	Senior Bank Debt (33.8% of Total Investments)	Fair Value
	Aerospace and Defense	
$ 520,649	Alion Science and Technology Corporation, Term Loan, LIBOR + 6.000%, due 02/06/13	$ 499,823
	Air Transportation	
612,929	Delta Air Lines, Inc., Credit- Linked Deposit Loan, LIBOR + 2.000%, due 04/30/12	544,741
2,911,505	US Airways Group, Inc., Loan, LIBOR + 2.500%, due 03/21/14	1,980,863
		2,525,604
	Automotive	
311,464	BHM Technologies, LLC, Exit Term Loan, LIBOR + 5.250%, due 09/30/13*	11,524
54,992	Cooper-Standard Holdings Inc., Dollar Facility Revolving Loan Commitment (CAM), LIBOR + 2.750%, due 12/23/10*	53,848
24,994	Cooper-Standard Holdings Inc., Dual Borrower Dual Currency Facility Revolving Loan Commitment (CAM), LIBOR + 4.750%, due 12/23/10*	24,474
23,029	Cooper-Standard Holdings Inc., Multicurrency Facility Revolving Loan Commitment (CAM), LIBOR + 2.500%, due 12/23/11*	22,549
19,682	Cooper-Standard Holdings Inc., Tranche A Term Loan (CAM), LIBOR + 4.500%, due 12/23/10*	19,272
60,014	Cooper-Standard Holdings Inc., Tranche B Term Loan (CAM), LIBOR + 4.500%, due 12/23/11*	58,764
149,913	Cooper-Standard Holdings Inc., Tranche C Term Loan (CAM), LIBOR + 2.500%, due 12/23/11*	147,664
166,644	Cooper-Standard Holdings Inc., Tranche D Term Loan (CAM), LIBOR + 3.500%, due 12/23/11*	163,172
82,702	Cooper-Standard Holdings Inc., Tranche E Term Loan (CAM), LIBOR + 2.500%, due 12/23/11*	80,979
558,029	FleetPride Corporation, Term Loan, LIBOR + 2.500%, due 06/06/13	477,115
583,732	Visteon Corporation, Additional Term Loan, LIBOR + 3.000%, due 12/13/13*	647,942
2,676,954	Visteon Corporation, Term Loan, LIBOR + 3.000%, due 06/13/13*	2,971,419
		4,678,722
	Broadcast Radio and Television	
557,724	Bonten Media Group Holdings, Inc., Additional Term Loan, LIBOR + 2.500%, due 05/31/14	404,350
453,680	Bonten Media Group Holdings, Inc., Initial Term Loan, LIBOR + 2.500%, due 05/31/14	328,918
267,329	Citadel Broadcasting Corporation, Tranche B Term Loan, LIBOR + 1.750%, due 06/12/14	200,218
		933,486
	Building and Development	
857,386	Collins & Aikman Floorcoverings, Inc., Loan, LIBOR + 2.500%, due 05/08/14	683,766
126,648	Financière Daunou 9 S.àr.l, Term Loan (USD), LIBOR + 2.125%, due 10/16/17	94,562
41,080	Financière Daunou 9 S.àr.l, Purchaser Loan, 5.000%, due 10/16/17 (a)	43,910
		822,238
	Cable Television	
1,262,445	WideOpenWest Finance, LLC, Loan, LIBOR + 7.000%, due 06/29/15	1,050,986

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2009

Principal** Amount	Senior Bank Debt (continued)	Fair Value
	Chemical/Plastics	
$ 2,010,000	Brenntag Holding GmbH & Co. KG, Facility 2 Loan, LIBOR + 4.000%, due 07/17/15	$ 1,964,775
509,815	Cognis Deutschland GmbH & Co. KG, Facility C, LIBOR + 2.000%, due 09/15/13	476,677
1,295,695	Univar Inc., Opco Tranche B Term Loan, LIBOR + 3.000%, due 10/10/14	1,200,678
		3,642,130
	Electronic/Electric	
3,242,819	Aeroflex Incorporated, Tranche B-1 Term Loan, LIBOR + 3.250%, due 08/15/14	2,977,994
4,304,995	Sensata Technologies B.V., US Term Loan, LIBOR + 1.750%, due 04/27/13	3,842,208
1,613,105	Sensata Technologies B.V., Euro Term Loan, EURIBOR + 2.000%, due 04/27/13 (a)	2,066,802
		8,887,004
	Equipment Leasing	
765,331	NES Rentals Holdings, Inc., Permanent Term Loan, LIBOR + 6.750%, due 07/20/13	552,952
	Financial Intermediaries	
10,599	Dollar Financial Corp., Canadian Borrower Term Loan, LIBOR + 3.750%, due 10/30/12	10,246
7,794	Dollar Financial Corp., Delayed Draw Term Loan, LIBOR + 3.750%, due 10/30/12	7,534
1,434,038	TransFirst Holdings, Inc., Term Loan (First Lien), LIBOR + 2.750%, due 06/15/14	1,272,709
		1,290,489
	Food Products	
1,810,410	Atkins Nutritionals, Inc., Term Loan, LIBOR + 4.750%, due 09/14/12	1,752,477
	Food Services	
161,497	Awesome Acquisition Company, Term Loan (Second Lien), LIBOR + 5.000%, due 06/04/14	127,582
467,331	Buffets, Inc., Term Loan (First Lien), LIBOR + 15.000%, due 04/30/12	477,261
236,185	CTI Foods Holdings Co., LLC, Second Lien Term Loan, LIBOR + 5.000%, due 06/18/14	200,757
5,065,806	OSI Restaurant Partners, LLC, Loan, LIBOR + 2.250%, due 06/14/14	4,150,344
460,388	OSI Restaurant Partners, LLC, Pre-Funded RC Facility, EURIBOR + 2.250%, due 06/14/13	377,190
		5,333,134
	Healthcare	
171,574	Carl Zeiss Vision Holding GmbH, Term B2 Facility (US), LIBOR + 2.500%, due 07/24/15	130,739
1,290,009	Concentra Inc., Loan (Second Lien), LIBOR + 5.500%, due 06/25/15	1,070,708
236,960	CRC Health Group, Inc., Senior Unsecured, LIBOR + 8.000%, due 11/17/13	164,835
		1,366,282

The accompanying notes are an integral part of these financial statements.

Principal** Amount	Senior Bank Debt (continued)	Fair Value
	Home Furnishings	
$ 539,956	National Bedding Company L.L.C., New Term Loan (First Lien), LIBOR + 2.000%, due 02/28/13	$ 497,209
404,680	National Bedding Company L.L.C., New Term Loan (Second Lien), LIBOR + 5.000%, due 02/28/14	336,559
		833,768
	Hotels/Motel/Inns and Casinos	
1,237,264	Motor City Casino (CCM Merger Inc.), Term B Loan, LIBOR + 5.500%, due 07/13/12	1,210,972
	Industrial Equipment	
955,719	NACCO Materials Handling Group, Inc., Loan, LIBOR + 2.000%, due 03/21/13	774,132
368,378	WHA Holding, Term B1 Facility, EURIBOR + 2.125%, due 07/29/13 (a)	325,644
49,206	WHA Holding, Term B2 Facility, EURIBOR + 2.125%, due 07/29/13 (a)	43,498
43,414	WHA Holding, Term B4 Facility, EURIBOR + 2.125%, due 07/29/13 (a)	38,378
368,378	WHA Holding, Term C1 Facility, EURIBOR + 2.625%, due 07/29/14 (a)	325,644
31,505	WHA Holding, Term C2 Facility, EURIBOR + 2.625%, due 07/29/14 (a)	27,850
43,415	WHA Holding, Term C4 Facility, EURIBOR + 2.625%, due 07/29/14 (a)	38,378
		1,573,524
	Insurance	
2,360,429	USI Holdings Corporation , Tranche B Term Loan, LIBOR + 2.750%, due 05/05/14	2,106,683
	Leisure	
1,464,093	Hicks Sports Group LLC, Term Loan, LIBOR + 4.500%, due 12/22/10*	1,226,178
331,158	Oceania Cruises, Inc., Loan (Second Lien), LIBOR + 5.750%, due 04/27/14	246,713
-	Town Sports International, LLC, Revolving Loan, LIBOR + 1.250%, due 02/27/12	(64,707)
		1,408,184
	Nonferrous Metals/Minerals	
30,738	Aleris International, Inc., German Term C-1 NR, LIBOR + 1.000%, due 12/19/13	23,438
47,949	Aleris International, Inc., U.S. Roll-Up Loans (Dollars), PRIME + 12.500%, due 12/19/13*	29,009
22,162	Aleris International, Inc., US Term B-1 NR, LIBOR + 2.000%, due 12/19/13*	1,588
2,302,781	JW Aluminum Company, Term Loan, LIBOR + 6.750%, due 12/16/13	1,168,661
		1,222,696
	Oil and Gas	
539,008	Crimson Exploration Inc., Term Loan (Second Lien), LIBOR + 8.000%, due 05/08/12	425,142
452,534	Delphi Acquisition Holding I B.V., Facility B1, LIBOR + 1.750%, due 01/12/15	437,600
299,908	Delphi Acquisition Holding I B.V., Facility B2, LIBOR + 1.750%, due 01/12/15	290,011
379,317	Delphi Acquisition Holding I B.V., Facility C1, LIBOR + 2.625%, due 01/11/16	366,800
299,908	Delphi Acquisition Holding I B.V., Facility C2, LIBOR + 2.625%, due 01/11/16	290,011

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2009

Principal** Amount	Senior Bank Debt (continued)	Fair Value
	Oil and Gas (continued)	
$ 118,553	Delphi Acquisition Holding I B.V., Facility D1, LIBOR + 4.500%, due 07/11/16	$ 110,995
1,987,025	Frontier Drilling USA, Inc., Term B Advance, LIBOR + 6.000%, due 06/21/13	1,835,514
313,144	TARH E&P Holdings, L.P., First Lien Second Out, LIBOR + 7.000%, due 06/29/12	313,144
121,472	TARH E&P Holdings, L.P., Second Lien, LIBOR + 13.890%, due 06/29/12	105,680
		4,174,897
	Publishing	
3,999	American Media Operations Inc., Deferred Fee Facility - 10.000%, due 01/30/13	3,728
293,808	American Media Operations Inc., Term Loan, LIBOR + 6.500%, due 01/30/13	273,884
		277,612
	Telecommunications/Cellular communications	
4,620,000	Millennium New Jersey HoldCo, LLC, Senior Secured, LIBOR + 5.500%, due 09/05/13	462,000
570,000	U.S. TelePacific Corp., Advance (Second Lien), LIBOR + 8.250%, due 08/04/12	467,578
		929,578
	Utilities	
-	Calpine Corporation, Revolving Commitment, LIBOR + 2.875%, due 03/29/14	(58,913)
	Total Senior Bank Debt (Cost $58,082,782)	**47,014,328**
	Corporate Fixed Income (8.6% of Total Investments)	
	Aerospace and Defense	
91,000	Alion Science and Technology Corporation, Senior Unsecured, 10.250%, due 02/01/15	69,388
	Automotive	
480,000	FleetPride Corporation,Senior Unsecured, 11.500%, due 10/01/14	436,800
2,490,000	Keystone Automotive Operations, Inc., Senior Subordinated , 9.750%, due 11/01/13	1,083,150
965,262	UCI Holdco Inc, Senior Unsecured, LIBOR + 7.500%, due 12/15/13	825,299
470,000	United Components, Inc., Senior Subordinated , 9.375%, due 06/15/13	454,725
		2,799,974
	Beverage and Tobacco	
10,250,000	Core-Mark Holding Company, Inc., Senior Unsecured, 10.125%, due 04/01/08*	51,250
4,000,000	Core-Mark Holding Company, Inc., Senior Unsecured, 9.250%, due 06/15/10*	20,000
		71,250

The accompanying notes are an integral part of these financial statements.

Principal** Amount	Corporate Fixed Income (continued)	Fair Value
	Broadcast Radio and Television	
$ 520,000	Barrington Broadcasting Group LLC, Senior Subordinated , 10.500%, due 08/15/14	$ 367,900
	Containers and Glass Products	
330,000	Berry Plastics Holding Corporation, Senior Secured, LIBOR + 3.875%, due 09/15/14	265,650
757,987	Impress Group B.V., Senior Unsecured, 17.000%, due 10/15/16 (a)	997,340
		1,262,990
	Ecological Services and Equipment	
440,000	WCA Waste Corporation, Senior Unsecured, 9.250%, due 06/15/14	440,000
	Electronic/Electric	
2,620,000	Aeroflex Incorporated, Senior Unsecured, 11.750%, due 02/15/15	2,593,800
1,610,000	Sensata Technologies B.V., Senior Subordinated , 9.000%, due 05/01/16 (a)	2,195,351
1,490,000	Sensata Technologies B.V., Senior Unsecured, 8.000%, due 05/01/14	1,463,925
		6,253,076
	Farming/Agriculture	
218,000	Brickman Group Holdings, Inc., Senior Subordinated , 11.000%, due 01/23/17	218,000
	Food Services	
231,000	Vicorp Restaurants , Inc., Senior Unsecured, 10.500%, due 04/15/11*	-
	Nonferrous Metals/Minerals	
350,000	Aleris International, Inc., Senior Unsecured, Step Up + 9.750%, due 12/15/14*	3,500
	Retailers (other than food/drug)	
462,000	Dollarama Group, L.P., Senior Subordinated , LIBOR + 6.750%, due 08/15/12	533,610
	Total Corporate Fixed Income Securities (Cost $14,076,348)	**12,019,688**
	Structured Investments (13.3% of Total Investments)	
23,850,000	Castle Hill III CLO, Limited, Class C - 1	9,540,000
9,900,000	Castle Hill III CLO, Limited, Class C - 2	2,962,080
1,300,303	Eastland CLO LTD, Class C Notes (BBB)	260,061
6,000,000	Race Point CLO, Limited, Subordinated Interest	1,837,800
1,500,000	Race Point II CLO, Limited, Class D-1	825,000
6,320,000	Race Point II CLO, Limited, Subordinated Interest	3,115,760
	Total Structured Investments (Cost $45,734,731)	**18,540,701**

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Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2009

Principal** Amount	Limited Partnerships (7.4% of Total Investments)	Fair Value
	CCG CI, LLC, Limited Partnership Interest	$ 1,576,473
	Secured Products Inc/HIG Partnership, LP, Limited Partnership Interest	232,750
	Thomas H. Lee Equity Fund V, LP, Limited Partnership Interest	5,398,957
	Welsh, Carson, Anderson & Stowe IX, LP, Limited Partnership Interest	3,057,496
	Total Limited Partnerships (Cost $9,286,070)	**10,265,676**
	Mezzanine (24.3% of Total Investments)	
	Aerospace and Defense	
$ 1,570,784	Lifeport, Senior Subordinated Notes - Mezz, Floating + 12.000%, due 10/31/12	1,570,784
	Automotive	
1,102,280	Acord Holdings LLC, Senior Sub Notes - Mezz (Funded), LIBOR + 18.500%, due 07/11/13	250,218
-	Acord Holdings LLC, Senior Sub Notes - Mezz (Delayed Draw - Unfunded), due 07/11/13	(31,512)
1,897,391	Acord Holdings LLC, Senior Sub Notes - Mezz, LIBOR + 17.500%, due 07/11/13	430,708
340,099	Acord Holdings LLC, Senior Sub Notes - Mezz, LIBOR + 18.500%, due 07/11/13	77,202
1,978,086	Auction Broadcasting Company, Series A - Mezz, 16.000%, due 03/31/10	1,889,073
1,437,512	HWS, LLC (Henry's), Senior Subordinated Notes - Mezz, LIBOR + 17.500%, due 07/11/13	862,507
		3,478,196
	Building and Development	
742,643	Interstate Plumbing & Air Conditioning, Senior Sub Notes - Mezz, 14.000%, due 10/26/11	603,769
3,196,730	K&K Iron Works, Inc, Senior Subordinated Notes - Mezz, LIBOR + 10.500%, due 09/14/12	1,211,561
		1,815,330
	Business Equipment and Services	
1,554,874	AIS Holdings Corp., Senior Secured Term Notes (Mezz), LIBOR + 6.500%, due 10/12/12	1,226,796
3,177,174	Restaurant Technologies, Inc., Series I - Mezz, LIBOR + 17.500%, due 02/01/12	3,145,402
258,948	Restaurant Technologies, Inc., Series II - Mezz, LIBOR + 19.000%, due 02/01/12	254,028
551,054	Secured Products Inc., Senior Secured Loan (Mezz), LIBOR + 11.250%, due 12/21/11	551,054
		5,177,280
	Farming/Agriculture	
3,994,468	Augusta Lumber, LLC, Series A - Mezz, LIBOR + 9.000%, due 03/31/13	3,323,397
1,141,724	Augusta Lumber, LLC, Series B - Mezz, 10.000%, due 12/30/13	-
		3,323,397

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Schedule of Investments (In Liquidation)
December 31, 2009

Number of Shares	Mezzanine (continued)	Fair Value
	Food Products	
$ 3,880,438	Harvest Time Bread Company, Original Notes - Mezz, 7.500%, due 01/19/10	$ 2,716,306
981,229	Harvest Time Bread Company, Original Notes - Mezz (North Carolina), LIBOR + 7.500%, due 01/19/10	686,860
944,792	Portuguese Baking Company, LP, Mezz - 16.000% - 11/2010, Floating + 16.000%, due 11/09/10*	944,792
59,354	Portuguese Baking Company, LP, Senior Sub Notes (January 2008) - Mezz, LIBOR + 12.000%, due 11/09/10*	59,354
1,441,328	Shari's, Senior Subordinated Notes - Mezz, Variable + 22.500%, due 12/28/12	1,441,328
		5,848,640
	Food Services	
4,249,996	Logan's Roadhouse, Inc., Mezzanine, 13.250%, due 06/06/13	4,007,746
	Healthcare	
2,281,197	American Institute of Gastric Banding, Ltd., Capital Contribution	-
383,418	American Institute of Gastric Banding, Ltd., Senior Subordinated Notes - Mezz, Floating + 15.000%, due 04/14/11	383,418
433,046	Liberty Dialysis, Mezz - Term Loan, LIBOR + 3.500%, due 09/17/11	421,354
		804,772
	Insurance	
984,000	Applied Systems, Inc., Senior Secured, 12.500%, due 09/26/14	988,920
	Leisure	
1,596,338	Foto Fantasy, Inc., Senior Sub Notes - Mezz, LIBOR + 12.000%, due 12/31/11	1,407,970
1,638,274	Harlem Globetrotters International, Inc, Mezz - Second Lien Bank Loan, LIBOR + 7.000%, due 09/21/11	1,487,553
		2,895,523
	Oil and Gas	
280,800	Davis Petroleum Corp., Senior Subordinated Notes - Mezz, 16.000%, due 04/01/10	280,800
	Retailers (other than food/drug)	
467,046	Work 'N Gear, Inc., Senior Sub Notes - Mezz, LIBOR + 16.000%, due 07/20/10	424,078
	Steel	
3,830,526	Latrobe Steel Company, Senior Subordinated Notes - Mezz, 15.000%, due 06/08/13*	3,340,219
	Total Mezzanine (Cost $44,479,828)	**33,955,685**

The accompanying notes are an integral part of these financial statements.

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2009

Number of Shares	Common Stock (9.3% of Total Investments)	Fair Value
	Automotive	
$ 28,904	BHM Technologies, LLC, Common	$ -
704,761	HWS, LLC (Henry's), Common	-
1,542,857	Keystone Automotive Operations, Inc., Common A	-
171,429	Keystone Automotive Operations, Inc., Common L	-
9,521	TI Automotive Limited, Class A Shares	221,554
		221,554
	Beverage and Tobacco	
9,241	Core-Mark Holding Company, Inc., Common	284,808
	Building and Development	
8,931	Interstate Plumbing & Air Conditioning, Common Stock	-
554	Financière Daunou 9 S.àr.l, Common Stock	-
		-
	Business Equipment and Services	
101	Katun Corp., Class A Common (b)	-
18,473	Restaurant Technologies, Inc., Common	21,798
		21,798
	Chemical/Plastics	
124	Novacap, Common (c)	265,324
	Electronic/Electric	
297,810	DDi Corp, Common	1,456,290
401	Sensata Technologies B.V., Common	-
79,848	Solarwinds, Public Stock (d)	1,469,842
		2,926,132
	Farming/Agriculture	
212	Augusta Lumber, LLC, Common Stock (Green Jacket Holdings, Inc)	-
49	Brickman Group Holdings, Inc., Common	49,000
		49,000
	Food Products	
6,498	Archibald Candy Corp., Common	-
272,250	Harvest Time Bread Company, Common	407,082
8,889	Shari's, Common	-
		407,082

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2009

Number of Shares	Common Stock (continued)	Fair Value
	Healthcare	
$ 66	American Institute of Gastric Banding, Ltd., Common - (AIGB Group Inc.)	$ -
47,893	American Institute of Gastric Banding, Ltd., Common - (AIGB Holdings, Inc.)	84,292
		84,292
	Leisure	
200,000	Bombardier Recreational Products Inc., Common A (e)	3,294,000
1,674,521	Bombardier Recreational Products Inc., Common L (e)	366,050
3,001,233	Foto Fantasy, Inc., Common	-
68,850	The Firm, Inc., Common	42,781
344,143	Warner Music Group Corp, Common	1,558,280
		5,261,111
	Oil and Gas	
1,778,156	Davis Petroleum Corp., Common (d)	2,151,568
43,512	TARH E&P Holdings, L.P., Common	-
		2,151,568
	Retailers (other than food/drug)	
8,708	MacGregor Golf Company, CKF6 Holdings, LLC	153,923
87	MacGregor Golf Company, Common - Port Jackson Holdings	719,297
10,363	Work 'N Gear, Inc., Common	-
		873,220
	Steel	
560,000	Latrobe Steel Company, Common	459,200
	Total Common Stock (Cost $29,742,978)	**13,005,089**
	Preferred Stock (3.3% of Total Investments)	
	Automotive	
346	BHM Technologies, LLC, Preferred	-
501	Hayes Lemmerz International, Inc., Preferred	-
1,158	HWS, LLC, Preferred Stock	-
		-
	Business Equipment and Services	
78	Katun Corp., Series A Preferred (b)	-

The accompanying notes are an integral part of these financial statements.

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2009

Number of Shares	Preferred Stock (continued)	Fair Value
	Chemical/Plastics	
$ 590	Novacap, Convertible Preferred Stock (b)	$ 1,262,429
	Electronic/Electric	
70,175	Sensata Technologies B.V., Convertible Preferred Stock	-
250,224	Sensata Technologies B.V., Preferred Stock	749,159
		749,159
	Food Products	
1,960	Portuguese Baking Company, LP, Series A-1 Preferred Stock	1,665,851
188	Shari's, Series A Preferred Stock	176,400
310	Shari's, Series B Preferred Stock	-
		1,842,251
	Healthcare	
194,691	Liberty Dialysis, Series A-2 Preferred Stock	186,903
	Insurance	
200,000	Applied Systems, Inc.	280,000
	Oil and Gas	
43,512	TARH E&P Holdings, L.P., Preferred Stock	-
20,490	Express Energy Services Operating, LP, Class A	265,058
		265,058
	Retailers (other than food/drug)	
309,568	Work 'N Gear, Inc., Series A Preferred Stock	-
	Total Preferred Stock (Cost $5,056,729)	**4,585,800**

Number of Warrants	Warrants (0.0% of Total Investments)	
	Business Equipment and Services	
68,421	Restaurant Technologies, Inc., Warrants	34,223
0.17	Secured Products Inc., Warrants	23,276
		57,499
	Containers and Glass Products	
18,811	Hilex Poly Co. LLC, Dec 16 Warrant (Strike 1.00)	-

The accompanying notes are an integral part of these financial statements.

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2009

Number of Warrants	Warrants (continued)	Fair Value
	Farming/Agriculture	
4	Brickman Group Holdings, Inc., Warrants	$ 4,000
	Food Products	
506,130	Portuguese Baking Company, LP, Warrants - Series 1	-
405,811	Portuguese Baking Company, LP, Warrants - Series 2	-
313,813	Portuguese Baking Company, LP, Warrants - Series 3	-
29	Shari's, B Pref & Common Warrants	-
3,508	Shari's, Common Stock Warrants	-
63	National Coal, Warrants	-
		-
	Total Warrants (Cost $628,763)	**61,499**
	Total Investments (Cost $207,088,229)	**$ 139,448,466**

* Indicates a security that is not currently making coupon payments.
** Principal amount in U.S. Dollars unless otherwise indicated.

(a) Security Principal amount is denominated in Euro
(b) Investments held via PNA Holding LLC
(c) Investments held via Novacap Luxembourg SCA
(d) Investments held via Sankaty Davis
(e) Investments held via BRP Holding

The geographical categorization by country of issuer of the value of investments is as follows:

United States	92.5%
Netherlands	6.0%
Canada	0.4%
Germany	0.5%
Other	0.6%
	100.0%

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Principal** Amount	Senior Bank Debt (55.2% of Total Investments)	Fair Value
	Aerospace and Defense	
$ 526,017	Alion Science and Technology Corporation, Term Loan, LIBOR + 6.000%, due 02/06/13	$ 263,008
2,051,440	AWAS Capital Inc., Loan (First Lien), LIBOR + 1.750%, due 03/15/13	1,306,084
104,468	Hawker Beechcraft, Inc., LC Facility Deposit, LIBOR + 2.000%, due 03/26/14	54,898
1,779,083	Hawker Beechcraft, Inc., Term Loan, LIBOR + 2.000%, due 03/26/14	934,908
		2,558,898
	Air Transportation	
466,787	American Airlines, Inc., Term 2 Advance, LIBOR + 2.000%, due 12/17/10	331,419
619,184	Delta Air Lines, Inc., Credit- Linked Deposit Loan, LIBOR + 2.000%, due 04/30/12	418,723
3,055,881	United Air Lines, Inc., Tranche B Loan, LIBOR + 2.000%, due 02/01/14	1,488,214
2,951,388	US Airways Group, Inc., Loan, LIBOR + 2.500%, due 03/21/14	1,283,854
		3,522,210
	Automotive	
3,891,815	Allison Transmission, Inc., Term Loan, LIBOR + 2.750%, due 08/07/14	2,193,314
226,827	BHM Technologies, LLC, Exit Financing Term Loan, LIBOR + 10.000%, due 11/26/09*	220,022
425,658	BHM Technologies, LLC, Loan, LIBOR + 5.250%, due 09/30/13*	39,287
11,953	BHM Technologies, LLC, Senior Secured, LIBOR + 5.25%, due 09/30/13*	-
387,128	Cooper-Standard Holdings Inc., Tranche B Term Loan, LIBOR + 2.500%, due 12/23/11	169,369
197,821	Cooper-Standard Holdings Inc., Tranche C Term Loan , LIBOR + 2.500%, due 12/23/11	86,547
558,029	Fleetpride Corporation, Term Loan, LIBOR + 2.500%, due 06/06/13	306,916
2,964,089	Ford Motor Company, Term Loan, LIBOR + 3.000%, due 12/15/13	1,207,866
3,675,387	General Motors Corporation, Loan, LIBOR + 2.375%, due 11/29/13	1,689,366
3,697,962	KAR Holdings, Inc., Initial Term Loan, LIBOR + 2.250%, due 10/20/13	2,103,216
324,126	Key Safety Systems, Inc., Loan (Second Lien), LIBOR + 5.000%, due 09/08/14	86,096
2,143,735	Lear Corporation, Lear Canada, Term Loan, LIBOR + 2.500%, due 04/25/12	967,896
975,616	TI Automotive Limited, Facility A (Dollar), LIBOR + 4.000%, due 05/21/12	125,204
725,970	Visteon Corporation, Additional Term Loan, LIBOR + 3.000%, due 12/13/13	185,727
3,897,762	Visteon Corporation, Term Loan, LIBOR + 3.000%, due 06/13/13	997,176
		10,378,002
	Beverage and Tobacco	
467,372	Black Lion Beverages Luxembourg S.à r.L., 2nd Lien Facility D, LIBOR + 4.250%, due 06/30/15 (a)	320,767
658,834	Black Lion Beverages Luxembourg S.à r.L., Facility B Tranche 2, LIBOR + 2.375%, due 12/31/13 (a)	566,365
633,239	Black Lion Beverages Luxembourg S.à r.L., Facility C Tranche 2, LIBOR + 2.875%, due 12/31/14 (a)	544,362
500,000	Reddy Ice Group, Inc., Initial Term Loan, LIBOR + 1.750%, due 08/09/12	293,750
		1,725,244
	Broadcast Radio and Television	
563,415	Bonten Media Group Holdings, Inc., Additional Term Loan, LIBOR + 2.500%, due 05/31/14	408,476
458,333	Bonten Media Group Holdings, Inc., Initial Term Loan, LIBOR + 2.500%, due 05/31/14	332,291
259,614	Citadel Broadcasting Corporation, Tranche B Term Loan, LIBOR + 1.750%, due 06/12/14	106,442
7,697,792	Univision Communications Inc., Initial Term Loan, LIBOR + 2.250%, due 09/29/14	3,164,647
		4,011,856

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Principal** Amount	Senior Bank Debt (continued)	Fair Value
	Building and Development	
$ 882,630	Collins & Aikman Floorcoverings, Inc., Loan, LIBOR + 2.500%, due 05/08/14	$ 485,447
162,885	Financière Daunou 9 S.àr.l, Tranche B4, LIBOR + 2.125%, due 06/14/15	61,285
167,744	Financière Daunou 9 S.àr.l, Tranche C4, LIBOR + 2.375%, due 06/14/16	63,114
		609,846
	Business Equipment and Services	
142,939	Emdeon Business Services LLC, Loan (Second Lien), LIBOR + 5.000%, due 05/16/14	84,334
960,006	Emdeon Business Services LLC, Term Loan (First Lien), LIBOR + 2.000%, due 11/16/13	681,604
1,459,592	Kronos Incorporated, Initial Term Loan (First Lien), LIBOR + 2.250%, due 06/11/14	970,628
1,448,746	TransFirst Holdings, Inc., Term Loan (First Lien), LIBOR + 2.750%, due 06/15/14	688,154
2,315,265	Verint Systems Inc., Term Loan, LIBOR + 3.250%, due 05/27/14	1,192,361
		3,617,081
	Cable Television	
2,632,000	CCO Holdings, LLC, Incremental Loan, LIBOR + 2.500%, due 09/06/14	1,417,990
2,003,698	Kabel Deutschland GmbH, A Facility, LIBOR + 1.750%, due 03/31/12 (a)	2,306,433
2,992,500	TWCC Holding Corp., Term Loan B, LIBOR + 4.000%, due 09/12/05	2,648,363
4,375,708	UPC Broadband Holding B.V., Facility M, LIBOR + 2.000%, due 12/31/14 (a)	4,013,454
1,168,623	WideOpenWest Finance, LLC, Loan, LIBOR + 7.000%, due 06/29/15	292,156
1,816,124	WideOpenWest Finance, LLC, Term Loan (First Lien), LIBOR + 2.500%, due 06/30/14	1,021,570
		11,699,966
	Chemical/Plastics	
2,336,422	Berry Plastics Holding Corporation, Term C Loan, LIBOR + 2.000%, due 04/03/15	1,508,453
490,906	Brenntag Holding GmbH & Co. KG, Acquisition Facility 1 Loan, LIBOR + 2.000%, due 01/20/14	359,589
818,810	Brenntag Holding GmbH & Co. KG, Acquisition Facility 2, LIBOR + 2.000%, due 01/20/14 (a)	921,349
2,010,000	Brenntag Holding GmbH & Co. KG, Facility 2 Loan, LIBOR + 4.000%, due 06/15/15	1,248,713
2,009,080	Brenntag Holding GmbH & Co. KG, Facility B2 Loan, LIBOR + 2.000%, due 01/20/14	1,471,651
369,447	Brenntag Holding GmbH & Co. KG, Facility C 1 Loan, EURIBOR + 2.250%, due 01/19/15 (a)	412,808
286,613	Brenntag Holding GmbH & Co. KG, Facility C 2 Loan, LIBOR + 3.000%, due 01/19/15 (a)	320,251
509,815	Cognis Deutschland GmbH & Co. KG, Facility C, LIBOR + 2.000%, due 01/20/14	307,929
123,145	MacDermid, Incorporated, Tranche B Term Loan, LIBOR + 2.000%, due 04/12/14	79,428
514,580	Omnova Solutions Inc., Loan, LIBOR + 2.500%, due 05/22/14	301,030
3,136,250	Rockwood Specialties Group, Inc., Tranche G Term Loan, LIBOR + 1.750%, due 07/30/12 (a)	3,594,757
1,355,195	Univar Inc., Opco Tranche B Term Loan, LIBOR + 3.000%, due 10/10/14	826,669
		11,352,627
	Containers and Glass Products	
1,629,948	BakerCorp., Tranche C Term Loan, LIBOR + 2.250%, due 05/08/14	802,749
960,168	Graham Packaging Company, L.P., New Term Loan, LIBOR + 2.250%, due 10/07/11	699,322
436,332	Kranson Industries, Inc., Term Loan, LIBOR + 2.250%, due 07/31/13	338,158
2,273,834	Pliant Corporation, Revolver, LIBOR + 3.000%, due 07/18/11	1,910,021
		3,750,250

The accompanying notes are an integral part of these financial statements.

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Principal** Amount	Senior Bank Debt (continued)	Fair Value
	Electronic/Electric	
$ 1,629,805	Sensata Technologies B.V., Euro Term Loan, EURIBOR + 2.000%, due 04/27/13 (a)	$ 1,139,071
4,349,607	Sensata Technologies B.V., US Term Loan, LIBOR + 1.750%, due 04/27/13	2,240,047
4,003,222	SunGard Data Systems Inc., Term Loan B, LIBOR + 1.750%, due 02/28/14	2,766,227
		6,145,345
	Equipment Leasing	
765,331	NES Rentals Holdings, Inc., Permanent Term Loan (Second-Lien), LIBOR + 6.750%, due 07/20/13	336,746
	Financial Intermediaries	
336,955	Affinia Group Inc., Tranche B Term Loan, LIBOR + 3.000%, due 11/30/11	171,847
212,443	Dollar Financial Corp., Canadian Borrower Term Loan, LIBOR + 2.750%, due 10/30/12	127,466
156,208	Dollar Financial Corp., Delayed Draw Term Loan, LIBOR + 2.750%, due 10/30/12	93,725
		393,038
	Food Products	
1,960,831	Atkins Nutritionals, Inc., Term Loan, LIBOR + 4.500%, due 09/14/12	1,831,416
	Food Services	
161,497	Awesome Acquisition Company, Term Loan (Second Lien), LIBOR + 5.000%, due 06/04/14	88,823
732,613	Buffets, Inc., Delayed Draw Loan (DIP), LIBOR + 15.000%, due 04/30/09	714,297
242,419	CTI Foods Holdings Co., LLC, Second-Lien Term Loan (Second Lien), LIBOR + 5.000%, due 06/18/14	66,665
1,076,654	NPC International, Inc., Term Facility, LIBOR + 1.750%, due 10/20/12	732,125
		1,601,910
	Food/Drug Retailers	
5,122,434	OSI Restaurant Partners, LLC, Loan, LIBOR + 2.250%, due 06/14/14	2,332,843
460,388	OSI Restaurant Partners, LLC, Pre-Funded RC Facility, LIBOR + 2.430%, due 06/14/13	209,669
4,086,640	Rite Aid Corporation, Tranche 2 Term Loan, LIBOR + 1.750%, due 06/04/14	2,431,551
		4,974,063
	Healthcare	
1,136,695	BSN Medical Luxembourg Holding S.À R.L., B1a Term Loan Facility, LIBOR + 2.500%, due 12/20/13 (a)	1,303,870
498,634	Carestream Health, Inc., Onex Carestream Finance LP, Senior Secured, LIBOR + 2.000%, due 04/30/13	301,050
171,574	Carl Zeiss Vision Holding GmbH, Term B2 Facility (US), LIBOR + 2.500%, due 07/24/15	98,655
1,220,789	Concentra Inc., Loan (Second Lien), LIBOR + 5.500%, due 06/25/15	305,197
1,162,394	Concentra Inc., Tranche B Term Loan, LIBOR + 2.250%, due 06/25/14	709,061
1,550,318	CRC Health Corporation, Term Loan, LIBOR + 2.250%, due 02/06/13	943,110
3,392,530	HCA Inc., Tranche B-1 Term Loan, LIBOR + 2.250%, due 11/18/13	2,682,219
1,448,236	Health Management Associates, Inc., Term B Loan, LIBOR + 1.750%, due 02/28/14	898,940
293,422	IM US Holdings, LLC, Term Loan (Second Lien), LIBOR + 4.250%, due 06/26/15	178,988
1,429,431	Quintiles Transnational Corp., Term B Loan (First Lien), LIBOR + 2.000%, due 03/31/13	1,164,986
176,475	United Surgical Partners International, Inc., Delayed Draw Term Loan, LIBOR + 2.000%, due 04/19/14	111,179
864,142	United Surgical Partners International, Inc., Tranche B Term Loan, LIBOR + 2.000%, due 04/19/14	544,409
2,159,310	US Oncology, Inc., Tranche B Term Loans, LIBOR + 2.750%, due 08/20/11	1,848,909
1,844,650	VWR Funding, Inc., Dollar Term Loan, LIBOR + 2.500%, due 06/30/14	1,257,437
697,426	Warner Chilcott Corporation, Tranche B Acquisition Date Term Loan, LIBOR + 2.000%, due 01/18/12	577,817
		12,925,827

The accompanying notes are an integral part of these financial statements.

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Principal** Amount	Senior Bank Debt (continued)	Fair Value
	Hotels/Motel/Inns and Casinos	
$ 1,343,659	Motor City Casino (CCM Merger Inc.), Term B Loan, LIBOR + 2.000%, due 07/13/12	$ 638,238
652,177	Yonkers Racing Corporation, Term Loan, LIBOR + 7.500%, due 08/12/11	551,090
		1,189,328
	Industrial Equipment	
426,282	Douglas Dynamics, L.L.C., Term Loan, LIBOR + 2.250%, due 05/21/13	341,025
22,930	JohnsonDiversey, Inc., Tranche B Loan, LIBOR + 2.000%, due 12/16/11	19,949
903,570	Manitowoc Company, Inc., Term B Loan, LIBOR + 3.500%, due 08/25/14	640,631
965,622	NACCO Materials Handling Group, Inc., Loan, LIBOR + 2.000%, due 03/21/13	526,264
		1,527,869
	Insurance	
3,845,935	Hub International Holdings, Inc., Initial Term Loan, LIBOR + 2.500%, due 06/13/14	2,230,643
2,700,230	USI Holdings Corporation , Tranche B Term Loan, LIBOR + 2.750%, due 05/05/14	1,161,099
		3,391,742
	Leisure	
1,464,093	Hicks Sports Group LLC, Term Loan, LIBOR + 2.500%, due 12/22/10	866,256
331,158	Oceania Cruises, Inc., Loan (Second Lien), LIBOR + 5.750%, due 04/27/14	173,858
3,070,503	Six Flags Theme Parks Inc., Tranche B Term Loan, LIBOR + 2.250%, due 04/30/15	1,826,950
173,319	Town Sports International, LLC, Revolving Loan, LIBOR + 2.250%, due 02/27/12	(202,966)
3,857,156	WMG Acquisition Corp., Term Loan, LIBOR + 2.000%, due 02/28/11	2,970,010
		5,634,108
	Nonferrous Metals/Minerals	
96,683	Aleris International, Inc., U.S. Loan, LIBOR + 2.000%, due 12/19/13	39,833
18,699	Algoma Steel Inc., Term Loan, LIBOR + 2.500%, due 06/20/13	11,593
2,302,781	JW Aluminum Company, Term Loan (Second Lien), LIBOR + 6.750%, due 12/16/13	633,265
1,586,015	Murray Energy Corporation, Coal Resources, Inc., Term Loan (Second Lien), LIBOR + 8.500%, due 01/28/11	1,348,113
515,839	Murray Energy Corporation, Coal Resources, Inc., Term Loan (Third Lien), LIBOR + 12.500%, due 07/28/11	425,567
962,500	Murray Energy Corporation, Coal Resources, Inc., Tranche B Term Loan (First Lien), LIBOR + 3.000%, due 01/28/10	837,375
875,319	Noranda Aluminum Acquisition Corporation, Term B Loan, LIBOR + 2.000%, due 05/18/14	525,191
519,526	Novelis, Inc., Canadian Term Loan, LIBOR + 2.000%, due 07/06/14	335,094
417,733	WHA Holding, Term B1 Facility, EURIBOR + 2.125%, due 07/29/13 (a)	323,095
43,430	WHA Holding, Term B4 Facility, EURIBOR + 2.125%, due 10/06/13 (a)	33,591
400,026	WHA Holding, Term C1 Facility, EURIBOR + 2.625%, due 07/29/14 (a)	309,399
43,430	WHA Holding, Term C4 Faility, EURIBOR + 2.625%, due 05/29/15 (a)	33,591
		4,855,707
	Oil and Gas	
925,321	Antero Resources Corporation, Loan (Second Lien), LIBOR + 4.500%, due 04/12/14	585,265
539,008	Crimson Exploration Inc., Term Loan (Second Lien), LIBOR + 5.750%, due 05/08/12	336,880
481,793	Delphi Acquisition Holding I B.V., Facility B1, LIBOR + 2.000%, due 01/12/15	281,849
319,300	Delphi Acquisition Holding I B.V., Facility B2, LIBOR + 2.000%, due 01/12/15	186,790
801,093	Delphi Acquisition Holding I B.V., Facility C1, LIBOR + 2.875%, due 01/11/16	468,639
245,033	Delphi Acquisition Holding I B.V., Facility D1, LIBOR + 4.500%, due 07/11/16	116,391
592,905	Express Energy Services Operating, LP, Term Loan, LIBOR + 5.250%, due 07/11/13	266,807

The accompanying notes are an integral part of these financial statements.

Principal** Amount	Senior Bank Debt (continued)	Fair Value
	Oil and Gas (continued)	
$ 1,987,025	Frontier Drilling USA, Inc., Term B Advance, LIBOR + 6.000%, due 06/21/13	$ 1,669,101
1,195,511	Helix Energy Solutions Group, Inc., Term Loan, LIBOR + 2.000%, due 07/01/13	833,869
417,752	TARH E&P Holdings, L.P., Term Loan (First Lien), LIBOR + 4.500%, due 06/29/12	250,651
		4,996,242
	Publishing	
296,854	American Media Operations Inc., Term Loan, LIBOR + 2.490%, due 01/30/13	155,106
5,303,484	Nielsen Finance LLC, VNU, Inc., VNU Holding and Finance B.V., Senior Secured, LIBOR + 2.000%, due 08/09/13	3,609,684
		3,764,790
	Retailers (other than food/drug)	
546,914	National Bedding Company L.L.C., Term Loan (First Lien), LIBOR + 2.000%, due 02/28/13	318,577
404,680	National Bedding Company L.L.C., Term Loan (Second Lien), LIBOR + 5.000%, due 02/28/14	193,572
116,825	Nebraska Book Company, Inc., Incremental Term Loan, LIBOR + 2.500%, due 03/04/09	68,927
1,675,224	PETCO Animal Supplies Stores, Inc., Loan, LIBOR + 2.250%, due 10/26/13	1,055,391
224,321	Savers, Inc., Value Village Stores, Inc., Canadian Loan, LIBOR + 2.750%, due 08/11/12	168,240
245,405	Savers, Inc., Value Village Stores, Inc., U.S. Term Loan, LIBOR + 2.750%, due 08/11/12	184,054
		1,988,761
	Telecommunications/Cellular communications	
3,275,366	Aeroflex Incorporated, Tranche B-1 Term Loan, LIBOR + 3.250%, due 08/15/14	2,063,481
1,975,001	Clearwire Corporation, Delayed-Draw Term Loan, LIBOR + 6.000%, due 07/03/12	1,056,625
600,000	Iridium Satellite LLC, Loan (Second Lien), LIBOR + 9.000%, due 07/27/12	528,000
904,188	Iridium Satellite LLC, Tranche A Term Loan (First Lien), LIBOR + 5.000%, due 06/30/10	795,686
2,198,299	Level 3 Financing, Inc., Loan, LIBOR + 2.250%, due 03/13/14	1,346,458
569,569	PAETEC Holding Corp., Replacement Term Loan, LIBOR + 2.500%, due 02/28/13	351,234
570,000	U.S. TelePacific Corp., Advance (Second Lien), LIBOR + 8.250%, due 08/04/12	199,500
493,969	Vertafore, Inc., New Term Loan (First Lien), LIBOR + 2.500%, due 01/31/12	340,839
164,683	Vertafore, Inc., Tack-on Loan (Second Lien), LIBOR + 5.750%, due 01/31/13	83,577
131,746	Vertafore, Inc., Term Loan (Second Lien), LIBOR + 6.000%, due.01/31/13	66,861
655,426	Virgin Mobile USA, LLC, Loan, LIBOR + 5.500%, due 12/14/10	337,544
7,974,184	West Corporation, Term B-2 Loan, LIBOR + 2.375%, due 10/24/13	4,975,325
		12,145,130
	Utilities	
337,197	Calpine Corporation, Revolving Loan (First Lien), LIBOR + 2.875%, due 03/29/14	197,667
1,485,915	Reliant Energy, Inc., Pre-Funded L/C Deposit, LIBOR + 1.750%, due 06/30/14	1,080,260
		1,277,927
	Total Senior Bank Debt (Cost $200,814,824)	**122,205,929**

The accompanying notes are an integral part of these financial statements.

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Principal** Amount	Corporate Fixed Income Securities (9.8% of Total Investments)	Fair Value
	Aerospace and Defense	
$ 91,000	Alion Science and Technology Corporation, Senior Unsecured, 10.250%, due 02/01/15	$ 41,860
	Automotive	
480,000	Fleetpride Corporation, Senior Unsecured, 11.500%, due 10/01/14	424,800
320,000	Ford Motor Credit Company, Senior Unsecured, 9.875%, due 08/10/11	249,600
2,490,000	Keystone Automotive Operations, Inc., Senior Subordinated , 9.750%, due 11/01/13	958,650
470,000	United Components, Inc., Senior Subordinated , 9.375%, due 06/15/13	202,100
879,063	United Components, Inc., Senior Unsecured, LIBOR + 7.500%, due 12/30/08	158,248
		1,993,398
	Beverage and Tobacco	
10,250,000	Core-Mark Holding Company, Inc., Senior Unsecured, 10.125%, due 06/15/10*	410,000
4,000,000	Core-Mark Holding Company, Inc., Senior Unsecured, 9.250%, due 06/15/10*	160,000
		570,000
	Broadcast Radio and Television	
520,000	Barrington Broadcasting Group LLC, Senior Subordinated , 10.500%, due 08/15/14	208,000
1,487,000	ION Media Networks, Inc. , Senior Secured, LIBOR + 3.250%, due 01/15/12	654,280
		862,280
	Building and Development	
100,000	Esco Corp, Senior Unsecured, 8.625%, due 12/15/13	71,000
359,000	Ply Gem Industries, Inc. and CWD Windows and Doors, Inc., Senior Subordinated , 9.000%, due 02/15/12	88,853
		159,853
	Business Equipment and Services	
984,000	Applied Systems, Inc., Senior Secured, 12.500%, due 09/26/14	811,800
742,938	Exodus Communications, Inc., Senior Unsecured, .000%, due 12/15/09*	371
1,503,324	Exodus Communications, Inc.,Senior Subordinated, 11.250%, due 07/01/09*	752
1,504,395	Exodus Communications, Inc., Senior Unsecured, 11.625%, due 07/15/10*	752
1,286,159	PSI Net, Senior Unsecured, 11.000%, due 08/01/09*	19,292
		832,967
	Cable Television	
2,075,999	Kabel Deutschland GmbH, Senior Secured, LIBOR + 7.000%, due 11/10/14 (a)	1,359,509

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Principal** Amount	Corporate Fixed Income Securities (continued)	Fair Value
	Chemical/Plastics	
$ 330,000	Berry Plastics Holding Corporation, Senior Secured, LIBOR + 3.875%, due 09/15/14	$ 115,500
728,061	Lucite International Luxembourg Finance S.àr.l., Senior Secured, LIBOR + 9.000%, due 07/07/14	806,769
		922,269
	Conglomerates	
127,205	Travelport Holdings Limited, Senior Secured, LIBOR + 7.500%, due 03/27/12	31,124
	Containers and Glass Products	
520,000	Impress Group B.V., Senior Secured, EURIBOR + 3.125%, due 09/15/13 (a)	557,862
643,876	Impress Group B.V., Senior Unsecured, 17.000%, due 10/15/16 (a)	219,703
1,850,000	Plastipak Holdings, Senior Unsecured, 8.500%, due 12/15/15	1,258,000
		2,035,565
	Ecological Services and Equipment	
440,000	WCA Waste Corporation, Senior Unsecured, 9.250%, due 06/15/14	330,000
	Electronic/Electric	
1,490,000	Sensata Technologies B.V., Senior Unsecured, 8.000%, due 05/01/14	685,400
1,610,000	Sensata Technologies B.V., Senior Subordinated , 9.000%, due 05/01/16 (a)	641,381
1,700,000	Viasystems Group, Inc, Senior Subordinated , 10.500%, due 01/15/11	1,241,000
		2,567,781
	Farming/Agriculture	
218,000	Brickman Group Holdings, Inc., Senior Subordinated, 11.000%, due 01/23/17	218,000
	Food Services	
2,670,000	Church's Chicken/Cajun Funding Corp, Senior Secured, 12.500%, due 12/31/11	2,699,637
231,000	Vicorp Restaurants , Inc., Senior Unsecured, 10.500%, due 04/15/11*	2,310
		2,701,947
	Healthcare	
214,607	CRC Health Corporation, Senior Unsecured, LIBOR + 8.000%, due 02/06/13	107,241
	Industrial Equipment	
1,380,000	Douglas Dynamics, L.L.C., Senior Unsecured, 7.750%, due 01/15/12	759,000
	Leisure	
2,000,000	Warner Music Group, Senior Unsecured, Step Up + .000%, due 12/15/14	770,000
	Nonferrous Metals/Minerals	
350,000	Aleris International, Inc., Senior Unsecured, 9.000%, due 12/15/14	28,000
	Retailers (other than food/drug)	
462,000	Dollarama Group, L.P., Senior Subordinated , LIBOR + 5.750%, due 08/15/12	288,750

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Principal** Amount	Corporate Fixed Income Securities (continued)	Fair Value
	Telecommunications/Cellular communications	
$ 2,620,000	Aeroflex Incorporated, Senior Unsecured, 11.750%, due 02/15/15	$ 1,729,200
4,620,000	Millennium New Jersey HoldCo, LLC, Senior Secured, LIBOR + 5.500%, due 09/05/13	3,197,040
419,055	Wind Acq Holdings Finance S.A, Senior Secured, LIBOR + 7.250%, due 12/21/11	255,833
		5,182,073
	Total Corporate Fixed Income Securities (Cost $36,856,203)	**21,761,617**
	Structured Investments (5.9% of Total Investments)	
23,850,000	Castle Hill III CLO, Limited, Class C - 1	4,054,500
9,900,000	Castle Hill III, LLC, Class C - 2, Subordinated Interest	2,907,630
1,277,000	Eastland CLO LTD, Class C Notes	141,492
6,000,000	Race Point CLO, Limited, Subordinated Interest	2,565,600
1,500,000	Race Point II CLO, Limited, Class D-1	225,000
6,320,000	Race Point II CLO, Limited, Subordinated Interest	3,118,288
	Total Structured Investments (Cost $46,242,488)	**13,012,510**
	Limited Partnerships (4.5% of Total Investments)	
	CCG CI, LLC Limited Partnership Interest	1,720,547
	Secured Products Inc/HIG Partnership, LP, Limited Partnership Interest	258,612
	Thomas H. Lee Equity Fund V, LP, Limited Partnership Interest	4,774,675
	Welsh, Carson, Anderson & Stowe IX, LP, Limited Partnership Interest	3,251,018
	Total Limited Partnerships (Cost $9,255,693)	**10,004,852**
	Mezzanine (16.2% of Total Investments)	
	Aerospace and Defense	
1,570,784	Lifeport, Mezz - 14.500%, due 10/31/12	1,570,784
	Automotive	
1,598,714	Acord Holdings LLC, Senior Secured Notes - Mezz, LIBOR + 18.500%, due 07/15/13	757,791
919,920	Acord Holdings LLC, Senior Sub Notes - Mezz (Delayed Draw - Funded), 18.500%, due 07/15/13	436,042
-	Acord Holdings LLC, Senior Sub Notes - Mezz (Delayed Draw - Unfunded), LIBOR, due 07/15/13	(21,443)
283,833	Acord Holdings LLC, Senior Sub Notes - Mezz (original notes +1%), 18.500%, due 07/15/13	134,537
1,919,046	Auction Broadcasting Company, Mezz - 14.000%, due 04/30/09	1,861,475
1,211,227	HWS, LLC(Henry's), Senior Secured Notes - Mezz, 17.500%, due 07/11/13	944,757
		4,113,159
	Building and Development	
685,340	Interstate Plumbing & Air Conditioning, Mezz - 14.000%, due 10/26/12	590,763
2,936,981	K&K Iron Works, Inc, LIBOR + 7.250%, due 09/14/12	2,220,358
		2,811,121

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Principal** Amount	Mezzanine (continued)	Fair Value
	Business Equipment and Services	
$ 1,554,874	AIS Holdings Corp., Sr. Secured Term Notes (Mezz), LIBOR + 4.500%, due 10/12/12	$ 1,259,448
303,800	Restaurant Technologies, Inc., Series I - Mezz, LIBOR + 16.500%, due 02/01/12	97,216
2,971,143	Restaurant Technologies, Inc., Series I - Mezz, LIBOR + 16.500%, due 02/01/12	2,884,980
240,929	Restaurant Technologies, Inc., Series II - Mezz, LIBOR + 18.000%, due 02/01/12	228,642
696,489	Secured Products Inc., Senior Secured Loan (Mezz), LIBOR + 9.250%, due 12/21/11	696,489
714,799	SurePayroll, Inc., Mezz - 12.000%, due 01/15/13	672,626
		5,839,401
	Farming/Agriculture	
4,035,398	Augusta Lumber, LLC, Series A - Mezz, LIBOR + 6.500%, due 03/31/13	3,446,230
1,032,945	Augusta Lumber, LLC, Series B - Mezz, LIBOR + 10.000%, due 12/30/13	333,641
		3,779,871
	Food Products	
3,658,459	Harvest Time Bread Company, Notes - Mezz, 16.000%, due 01/19/09	2,926,767
950,000	Harvest Time Bread Company, Notes - Mezz (North Carolina), due 01/19/09	760,000
697,658	Portuguese Baking Company, LP, Mezz - 16.000% - 11/2010, due 11/09/10	697,658
275,049	Portuguese Baking Company, LP, Senior Sub Notes (Dec. 2007) - Mezz - 12.000%, due 11/09/10	275,049
1,257,620	Shari's, Mezz - 15.000%, due 12/28/12	1,076,523
		5,735,997
	Food Services	
4,215,365	Logan's Roadhouse, Inc., Mezz 13.250%, due 06/06/13	3,524,045
	Healthcare	
2,087,538	American Institute of Gastric Banding, Ltd., Mezz - 11.000%, due 03/01/11	417,508
352,873	American Institute of Gastric Banding, Ltd., Senior Sub Notes - Mezz (Funded), LIBOR + 6.000%, due 04/14/11	(63,271)
488,923	Liberty Dialysis, Mezz - Term Loan, LIBOR + 2.250%, due 09/17/11	455,188
		809,425
	Leisure	
1,436,695	Foto Fantasy, Inc., Senior Sub Notes (10%) - Mezz, LIBOR + 10.000%, due 12/31/11	1,387,847
1,638,274	Harlem Globetrotters International, Inc, Mezz - 2nd Lien Bank Loan, LIBOR + 7.500%, due 09/21/11	1,154,983
		2,542,830
	Oil and Gas	
270,000	Davis Petroleum Corp., Mezz - 16.000%, due 04/01/10 (i)	264,060
	Retailers (other than food/drug)	
507,890	MacGregor Golf Company, Junior Sub. Note (Mezz) - 10.000%, due 03/04/11	-
2,091,456	MacGregor Golf Company, Mezz - Term Loan A, LIBOR + 5.500%, due 11/20/11	1,045,728

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Principal** Amount	Mezzanine (continued)	Fair Value
	Retailers (continued)	
$ 399,575	Work 'N Gear, Inc., Senior Sub Notes - Mezz, 16.000%, due 07/20/10	$ 326,453
		1,372,181
	Steel	
3,430,000	Latrobe Steel Company, Mezz 15.000%, due 12/08/12	3,430,002
	Total Mezzanine (Cost $45,214,871)	**35,792,876**
Number of Shares	**Common Stock (6.4% of Total Investments)**	
	Air Transportation	
1,098	Atlas Air Worldwide Holdings, Common	20,752
	Automotive	
28,904	BHM Technologies, LLC, Common	-
704,761	HWS, LLC (Henry's), Common	-
1,542,857	Keystone Automotive Operations, Inc., Common A	-
171,429	Keystone Automotive Operations, Inc., Common L	-
		-
	Building and Development	
6,108	Armstrong World Industries, Inc., Common	132,055
8,931	Interstate Plumbing & Air Conditioning, Common Stock	21,523
		153,578
	Business Equipment and Services	
101	Katun Corp., Class A Common (d)	-
	Chemical/Plastics	
124	Novacap, Common (e)	234,243
	Containers and Glass Products	
1,974	Hilex Poly Co. LLC, Common	-
	Electronic/Electric	
297,810	DDi Corp, Common	917,254
401	Sensata Technologies B.V., Common	-
72,537	Solarwinds, Common	710,863
		1,628,117
	Farming/Agriculture	
49	Brickman Group Holdings, Inc., Common	49,000
	Food Products	
6,498	Archibald Candy Corp., Common	-
272,250	Harvest Time Bread Company, Common	814,163
3,325.00	Horizon Food Group, Inc., Common	-
8,889	Shari's, Common	-
		814,163

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Number of Shares	Common Stock (continued)	Fair Value
	Healthcare	
659	American Institute of Gastric Banding, Ltd., Common	$ -
2,530	American Institute of Gastric Banding, Ltd., Common A	-
281	American Institute of Gastric Banding, Ltd., Common L	-
		-
	Industrial Equipment	
200,000	Bombardier Recreational Products Inc., Common A (f)	2,700,000
1,674,521	Bombardier Recreational Products Inc., Common L (f)	300,000
		3,000,000
	Leisure	
3,001,233	Foto Fantasy, Inc., Common	1,500,617
68,850	The Firm, Inc., Common	42,781
15,044	Trespaphan, Common A	-
13,539	Trespaphan, Common L	-
344,143	Warner Music Group, Common	876,188
		2,419,586
	Oil and Gas	
1,778,156	Davis Petroleum Corp., Common (i)	2,090,222
	Retailers (other than food/drug)	
5,237	MacGregor Golf Company, Common	-
	Steel	
560,000	Latrobe Steel Company, Common	3,679,200
	Telecommunications/Cellular communications	
2,632	Rogers Communications, Inc., Common B	96,324
	Total Common Stock (Cost $36,431,924)	**14,185,185**
	Preferred Stock (2.0% of Total Investments)	
	Automotive	
39,315	Hayes Lemmerz International, Inc., Preferred	1,728
1,158,000	HWS, LLC (Henry's), Preferred Stock	-
		1,728
	Business Equipment and Services	
200,000	Applied Systems, Inc., Private Equity	280,000
78,385	Katun Corp., Series A Preferred (d)	-
30,528	Restaurant Technologies, Inc., Series B Preferred Stock	30,528
		310,528
	Chemical/Plastics	
27,580	Novacap, Convertible Preferred Stock (e)	1,114,544

Sankaty High Yield Partners III, L.P.
Schedule of Investments (In Liquidation)
December 31, 2008

Number of Shares	Preferred Stock (continued)	Fair Value
	Electronic/Electric	
109,375	Sensata Technologies B.V., Convertible Preferred Stock	$ -
390,000	Sensata Technologies B.V., Preferred Stock	424,524
208,176	Solarwinds, Preferred (i)	710,863
		1,135,387
	Food Products	
8,755	Horizon Food Group, Inc., B1 Preferred Stock	10,111
1,077	Horizon Food Group, Inc., B2 Preferred Stock	12,136
1,775,504	Portuguese Baking Company, LP, Series A-1 Preferred Stock	1,247,831
164,261	Shari's, Series A Preferred Stock	174,086
260,753	Shari's, Series B Preferred Stock	150,353
		1,594,517
	Healthcare	
86,572	Liberty Dialysis, Series A-2 Preferred Stock	190,797
	Retailers (other than food/drug)	
212,828	Work 'N Gear, Inc., Series A Preferred Stock	68,106
469,748	Work 'N Gear, Inc., Mezz - Series B Pfd 12.000%, due 05/05/09	-
388,724	Work 'N Gear, Inc., Mezz - Series D Pfd 8.000%, due 05/05/09	-
	Total Preferred Stock (Cost $4,602,111)	**4,415,607**

Number of Warrants	Warrants (0.0% of Total Investments)	
	Business Equipment and Services	
0.17	Secured Products Inc., Warrants	38,199
	Farming/Agriculture	
4,000	Brickman Group Holdings, Inc., Warrants	3,999
	Food Products	
8,223	Horizon Food Group, Inc., Warrants	404
216,522	Portuguese Baking Company, LP, Warrants - Series 1	-
160,875	Portuguese Baking Company, LP, Warrants - Series 2	-
3,530	Shari's, B Pref & Common Warrants	1,332
11,436	Shari's, Common Stock Warrants	2
		1,738
	Total Warrants (Cost $396,362)	**43,936**
	Total Investments (Cost $379,814,476)	**$ 221,422,512**

The accompanying notes are an integral part of these financial statements.

* Indicates a security that is not currently making coupon payments.
** Principal amount in U.S. Dollars unless otherwise indicated.

(a) Security Principal amount is denominated in Euro
(b) Investments held via Bain Capital Integral Investors LLC
(c) Investments held via Bain Capital Europe, LLC
(d) Investments held via PNA Holding LLC
(e) Investments held via Novacap Luxembourg SCA
(f) Investments held via BRP Holding
(g) Investments held via ABC Holding Co.
(h) Investments held via Bain Capital Intergral Investors II, LLC
(i) Investments held via Sankaty Davis
(j) Investments held via Pipewrench, LLC

The geographical categorization by country of issuer of the value of investments is as follows:

United States	88.4%
Netherlands	4.1%
Canada	3.3%
Germany	2.9%
Other	1.3%
	100.0%

1. Description of Partnership

Sankaty High Yield Partners III, L.P. (the "Partnership"), a Delaware limited partnership, was established for the purpose of acquiring and managing a diverse portfolio of primarily below investment-grade assets consisting of bank loans, corporate fixed income securities, structured instruments, distressed debt, limited partnerships, mezzanine investments, equity securities and certain other investments. The Partnership was organized and commenced operations on April 18, 2001, and will continue until March 31, 2011, unless certain extension or early termination options provided for by the Amended and Restated Agreement of Limited Partnership dated April 18, 2001 (the "Partnership Agreement") are activated. The general partner of the Partnership is Sankaty High Yield Asset Investors III, LLC (the "General Partner"), a Delaware limited liability company, whose managing member is Sankaty Investors III, LLC, a Delaware limited liability company. The General Partner is required to contribute 1% of the aggregate contributed capital of the Partnership.

The Partnership has $119 million of capital subscriptions, which were fully funded at December 31, 2009 and 2008, and $581 million of debt financing commitments, of which approximately $141.3 million and $269.7 million were outstanding at December 31, 2009 and 2008, respectively (see Notes 6 and 7). The debt financing commitments subject the Partnership to certain covenants, including, but not limited to, limitations on the total amount of indebtedness of the Partnership, certain restrictions on payments, and requirements concerning compliance with certain financial tests and investment policies.

Bank of New York Mellon Trust Company serves as the Partnership's administrative agent with respect to the Senior Facility (as defined in Note 6) among the syndicate of lenders, for which it receives an annual fee from the Partnership. Bank of New York serves as the Partnership's custodian and also serves as the trustee under the Indenture dated January 19, 2006 (the "New Indenture"), for which it receives fees from the Partnership. The New Indenture replaced the Indenture ("Old Indenture") dated April 18, 2001.

On October 9, 2008, the Partnership defaulted on certain covenants of its Notes Payable Indenture which accelerated the principal payment of the Notes (see Note 7). Based on the acceleration and the net assets of the Partnership at this time, the General Partner determined that liquidation of the Partnership was imminent. As a result, the Partnership adopted a liquidation basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the liquidation basis of accounting, assets are stated at their estimated net realizable values, liabilities are stated at their settlement amount and all expenses at liquidation have been estimated and recognized. Additionally, the Partnership has not disclosed the ratio of net investment income or total expenses to average limited partners' capital and the total return of the Partnership.

The Financial Statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities should the Partnership be unable to continue as a going concern. However, due to the violation of covenants and waiver of these covenants by the Noteholders, the Partnership began selling investments and using the proceeds to meet the acceleration of the principal payments in accordance with the Pledge and Intercreditor Agreement. The General Partner intends to liquidate the Partnership. The General Partner will continue the process of selling investments and making principal payments until all investments have been sold or all Notes have been paid off.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates, and such differences could be material. Events or transactions occurring after year end through the date that the financial statements were issued, March 16, 2010, have been evaluated in the preparation of the financial statements.

Valuation of Investments

The Investment Advisor (as defined in Note 8), in consultation with the General Partner, fair values the investments owned by the Partnership. Corporate fixed income securities are generally fair valued based on the "high bid average" price obtained from an Approved Pricing Service (as defined in the Indenture). Senior bank debt investments are generally fair valued based on the "mean of mean" price obtained from an Approved Pricing Service. Public equities are generally fair valued based on the closing price listed on an Approved Exchange (as defined in the Indenture) or, if unavailable, at the last bid price for long positions and last ask price for short positions.

Investments that cannot be fair valued, as described above, are either priced by an investment bank or are valued at fair value as determined in good faith by the General Partner. In determining the fair value of an investment, the General Partner considers such factors as financial statements, earnings forecasts, recent transactions in the same or similar securities and valuation information obtained from broker-dealers, recognized quotation services or independent appraisal firms. The fair value assigned to these investments is based upon available information and does not necessarily represent the amount which might ultimately be realized upon sale. Equity investments in structured financing vehicles (such as CLOs) are fair valued by the General Partner using a model that utilizes inputs determined by the General Partner to discount present value of future cash flows from the investment. Investments in Limited Partnerships are fair valued as the Partnership's proportionate investment in the net assets of the limited partnership at fair value.

The General Partner determines the fair value of certain securities, including structured investments, held by the Partnership on the basis of prices provided by principal market makers. Due to the inherent uncertainty of valuation, this estimated fair value may differ from the value that would have been used had a ready market for the security existed, and the difference could be material.

The definition of "fair value" for the purposes of accounting principles generally accepted in the United States of America can and will differ from that used within the covenants of the Partnership's debt financing commitments.

Cash and Cash Equivalents

Included in cash and cash equivalents at December 31, 2009 and 2008 was $2,717,565 and $6,259,385 respectively, invested overnight in highly liquid money market investment vehicles. As of December 31, 2009 and 2008, the interest rates for these vehicles were 0.01% and 1.58%, respectively. Cash balances are presented gross of amounts due to retail banks, custodial banks and prime brokers.

Investment Transactions and Related Income
Investment transactions are accounted for on the trade date. Realized gains and losses on investment transactions are determined using the specific identification method. Realized and unrealized foreign currency exchange gains and losses on non-U.S. Dollar denominated borrowings and cash are included in net realized loss on foreign currency translation and net increase in unrealized depreciation from foreign currency translation in the Statements of Operations. The Partnership utilizes multi-currency borrowings to hedge its exposure to currency risk when purchasing like-denominated assets. For the Partnership's investments in revolving bank loans, the cost basis of the investments purchased are adjusted for the cash received for the discount on the total balance committed. The fair value is also adjusted for price appreciation or depreciation on the unfunded portion. As a result, the purchase of commitments that are not completely funded may result in a negative value until it is offset by the future amounts called and funded.

Interest income is recorded on the accrual basis. Certain fees received or paid on bank loans are recorded as a cost basis adjustment or as income. Dividend income is recorded on the ex-dividend date net of withholding taxes. Distributions from collateralized debt obligations are recorded as dividend income on the Statement of Operations during the collateralized debt obligation's reinvestment period. Subsequent to this reinvestment period, distributions are recorded as a return of capital. Dividend and interest income paid in the form of additional shares or par value is recorded at current value. Premiums and discounts on securities purchased are amortized using the effective yield method over the life of the respective security when cash collection is expected and is included in interest income. Discounts on securities with fair values below 50% of par are not amortized. For the Partnership's investments in revolving bank loans, the cost basis of the investments purchased are adjusted for the cash received for the discount on the total balance committed. The fair value is also adjusted for price appreciation or depreciation on the unfunded portion. As a result, the purchase of commitments not completely funded may result in a negative value until it is offset by the future amounts called and funded.

In some cases, the Partnership invests in securities directly and indirectly through one or more holding companies or other entities in which other parties affiliated with the Partnership may also be investors. In such cases, the Schedule of Investments indicates such relationships and reflects the Partnership's share of the underlying investment.

Restricted Securities
The Partnership is permitted to invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at an acceptable price may be difficult. At December 31, 2009 and 2008, the fair value of restricted securities (excluding 144A issues) amounted to $14,166,224 and $51,647,834, respectively.

Income Taxes
As a partnership, the Partnership itself is not subject to U.S. Federal income taxes. Each Partner is individually liable for income taxes, if any, on its share of the Partnership's net taxable income. Interest, dividends and other income realized by the Partnership from non-US sources and capital gains realized on the sale of securities of non-U.S. issuers may be subject to withholdings and other taxes levied by the jurisdiction in which the income is sourced. For foreign partners invested in the Partnership, a reduction in capital could be made for withholding taxes (30% or

lower treaty rate) on their allocable share of dividends as well as certain interest and other income received by the Partnership from sources within the United States.

On January 1, 2009, the Partnership adopted an accounting standard which required the Investment Advisor to determine whether tax positions of the Partnership are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Investment Advisor has determined that there were no tax positions which met the recognition and measurement requirements of the accounting standard, and therefore, the Partnership did not record an expense related to uncertain positions on the Partnership's Statement of Operations for the year ended December 31, 2009.

The Partnership files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Partnership is subject to examination by federal, state, local and foreign jurisdictions, where applicable. As of December 31, 2009, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2006 forward (with limited exceptions).

Foreign Currency Translation

The accounting records of the Partnership are maintained in U.S. dollars. The fair values of foreign securities, currency holdings and other assets and liabilities are translated to U.S. dollars based on the current exchange rates each business day. Income and expenses denominated in foreign currencies are translated at current exchange rates when accrued or incurred. Unrealized gains and losses on foreign currency holdings and non-investment assets and liabilities attributable to the change in exchange rates are included in foreign currency translation in the Statements of Operations. Net realized gains and losses on foreign currency holdings and non-investment assets and liabilities are included in net realized gain on foreign currency transactions in the Statements of Operations.

The portion of both realized and unrealized gains and losses on investments that result from fluctuations in foreign currency exchange rates is not separately disclosed, but is included in net realized and unrealized gains on investments in the Statements of Operations.

Interest Rate Swaps and Total Return Swaps

The Partnership may enter into interest rate or total return swap contracts to increase or decrease its exposure to changes in the level of interest rates or underlying asset values. Interest rate swaps involve the exchange by the Partnership with another party of their respective commitments to pay or receive interest at specified intervals based on a notional amount of principal, e.g. an exchange of floating rate payments for fixed payments with respect to a notional amount of principal. Total return swaps involve commitments to pay interest in exchange for a return on a basket of securities both based on notional amounts. To the extent the total return of the basket of securities underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Partnership will receive payment from or make a payment to the counterparty, respectively.

3. Recent Accounting Pronouncements

FASB Accounting Standards Codification™ ASC 105-10
In June 2009, the FASB issued FASB ASC 105-10, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*", (formerly SFAS 168). FASB ASC 105-10 replaces the SFAS 162, *The Hierarchy of Generally Accepted Accounting Principles,* and establishes the FASB Accounting Standards Codification ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with GAAP. The Codification became the exclusive authoritative reference at September 30, 2009. Updates to the Codification Standards are issued as Accounting Standard Updates ("ASU"s) by the FASB. The adoption of the Codification does not impact the Partnership's financial statements except for references made to authoritative accounting literature in the footnotes.

FASB Accounting Standards Codification™ ASC 815-10-50
The Partnership adopted amendments to the authoritative guidance on disclosures about derivative instruments and hedging activities on January 1, 2009. The new requirement amends and expands the disclosure requirement related to derivative instruments, to provide users of financial statements with an enhanced understanding of the use of derivative instruments by the Fund and how these derivatives affect the financial position, financial performance and cash flows of the Fund. This Statement requires qualitative disclosures about the objectives and strategies for using derivative instruments, quantitative disclosures about the fair value of, and gains and losses on, derivative instruments.

The standard enhances the disclosure requirements for derivative instruments and related hedging activities and thus, the adoption of the standard had no impact on the Statement of Net Assets, Statement of Operations or the Statement of Changes in Partners' Capital. The Partnership does not designate any derivative instruments as hedging instruments under the authoritative guidance.

The Partnership may transact in a variety of derivative instruments including, forwards, swaps and options primarily for trading purposes with each instrument's primary risk exposure being interest rate, credit, foreign exchange, or equity risk. The fair value of these derivative instruments is included either as a separate line item or within the Investments line item in the Statement of Net Assets with changes in fair value reflected as realized gains (losses) or net change in unrealized gains (losses) within the Statement of Operations. The partnership did not transact in any derivative instruments during the year ended December 31, 2009.

4. Fair Value Measurements

In accordance with authoritative guidance on fair value measurements and disclosures under GAAP, the Partnership discloses the fair value of its investments in a hierarchy which prioritizes and ranks the level of market price observability used in measuring assets or liabilities at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Assets or liabilities with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs

may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of financial instruments within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the General Partner's perceived risk of that instrument.

Assets or liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

In determining an asset or liability's placement within the hierarchy, the General Partner separates the Partnership's investment portfolio into major categories. Each of these categories can further be divided between those held long or short.

Level I – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of assets or liabilities classified as Level I include listed equities.

Level II – Inputs are other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Certain investments, exchange traded and over-the-counter derivatives, including interest rate swaps, are fair valued by the General Partner using observable inputs, such as quotations received from the dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of an over-the-counter derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, bid and ask prices yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs. Certain exchange traded and over-the-counter derivatives, such as generic swaps, have inputs which can generally be corroborated by market data and are therefore classified within Level II. Investments that trade in markets that are not considered to be active, but are valued on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level II. Assets or liabilities which are generally included in this category include corporate fixed income and senior bank debt where there is sufficient market activity for the investment, less liquid and restricted equity securities and certain exchange traded and over-the-counter derivatives.

Level III – Investments and derivative instruments classified within Level III have significant unobservable inputs, as they trade infrequently or not at all. Level III instruments include private equity investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), mezzanine securities, and structured investments. When observable prices are not available for these securities, the General Partner uses one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. Within Level III, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the General Partner in estimating the fair value of Level III investments include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Certain Level III investments, such as certain structured investments, utilize models which rely on assumptions determined by the General Partner. Level III investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the General Partner in the absence of market information. The fair value measurement of Level III investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Partnership's results of operations. Assets or liabilities which are generally included in this category include limited partnership interests, CDOs, privately placed debt, and privately placed equity, bonds and loans for which there are no observable inputs. At each measurement date, the General Partner updates the Level I and Level II inputs to reflect observable inputs, though the resulting gains and losses are reflected within Level III due to the significance of the unobservable inputs.

The following table summarizes the valuation of the Partnership's assets or liabilities by the above fair value hierarchy levels as of December 31, 2009:

Assets at Fair Value as of December 31, 2009 (in thousands)	Level I	Level II	Level III	Total
Cash Equivalents	$ 2,718	$ -	$ -	$ 2,718
Investments:				
Corporate Fixed Income	-	11,802	218	12,020
Senior Bank Debt	-	41,054	5,960	47,014
Mezzanine	-	989	32,967	33,956
Preferred Stock	-	-	4,586	4,586
Limited Partnerships	-	-	10,266	10,266
Structured Investments	-	-	18,541	18,541
Stock Warrants	-	-	61	61
Common Stock	4,769	-	8,236	13,005
Total	$ 7,487	$ 53,845	$ 80,835	$ 142,167

The following table summarizes the valuation of the Partnership's assets or liabilities by the above fair value hierarchy levels as of December 31, 2008:

Assets at Fair Value as of December 31, 2008 (in thousands)	Level I	Level II	Level III	Total
Cash Equivalents	$ 6,259	$ -	$ -	$ 6,259
Investments:				
Corporate Fixed Income	-	16,950	4,811	21,761
Senior Bank Debt	-	104,629	17,577	122,206
Mezzanine	-	-	35,792	35,792
Preferred Stock	-	-	4,416	4,416
Limited Partnerships	-	-	10,005	10,005
Structured Investments	-	-	13,013	13,013
Stock Warrants	-	-	44	44
Common Stock	2,043	-	12,143	14,186
Total	$ 8,302	$121,579	$ 97,801	$ 227,682

The following table presents changes in assets or liabilities that use Level III inputs for the year ended December 31, 2009:

(in thousands)	Balance as of 12/31/2008	Net change in unrealized gains (losses)	Net realized gains (losses)	Net purchases, sales or redemptions	Net transfers into and/or (out of) Level III	Balance as of 12/31/2009
Investments:						
Corporate Fixed Income	$ 4,811	$ (5,211)	$ (108)	$ (271)	$ 997	$ 218
Senior Bank Debt	17,577	1,902	(3,504)	(19,096)	9,081	5,960
Mezzanine	35,792	(2,126)	(2,089)	401	989	32,967
Preferred Stock	4,416	259	96	(185)		4,586
Structured Investments	13,013	6,036	-	(508)		18,541
Stock Warrants	44	18	-	(1)		61
Limited Partnerships	10,005	230	44	(13)		10,266
Common Stock	12,143	4,228	(8,712)	577		8,236
Total	$ 97,801	$ 5,336	$ (14,273)	$ (19,096)	$ 11,067	$ 80,835

The following table presents changes in assets or liabilities that use Level III inputs for the year ended December 31, 2008:

(in thousands)	Balance as of 12/31/2007	Net change in unrealized gains (losses)	Net realized gains (losses)	Net purchases, sales or redemptions	Net transfers into and/or (out of) Level III	Balance as of 12/31/2008
Investments:						
Corporate Fixed Income	$ 13,106	$ (3,064)	$ (152)	$ (2,749)	$ (2,330)	$ 4,811
Senior Bank Debt	61,240	(22,493)	(2,076)	(19,125)	31	17,577
Mezzanine	54,962	797	155	(20,122)		35,792
Preferred Stock	21,640	(18,063)	16,810	(15,971)		4,416
Structured Investments	39,214	(24,676)	-	(1,525)		13,013
Stock Warrants	103	(59)	-	-		44
Limited Partnerships	54,466	(30,230)	22,813	(37,044)		10,005
Common Stock	43,597	(28,540)	2,691	(5,605)		12,143
Total	$ 288,328	$ (126,328)	$ 40,241	$ (102,141)	$ (2,299)	$ 97,801

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying Statement of Operations. During the year ended December 31, 2009, there were $4,746,470 of unrealized losses on investments classified as Level III at December 31, 2009. See Note 2 for the Partnership's valuation techniques used to measure fair value.

Effective January 1, 2009, the Fund adopted the authoritative guidance under GAAP on determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly. Accordingly, if the Fund determines that either the volume and/or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. Valuation techniques such as an income approach might be appropriate to supplement or replace a market approach in those circumstances. The guidance also provides a list of factors to determine whether there has been a significant decrease in relation to normal market activity. Regardless, however, of the valuation technique and inputs used, the objective for the fair value measurement in those circumstances is unchanged from what it would be if markets were operating at normal activity levels and/or transactions were orderly; that is, to determine the current exit price.

The Partnership has also adopted the authoritative guidance under GAAP for estimating the fair value of investments in investment companies that have calculated net asset value per share in accordance with the specialized accounting guidance for Investment Companies. Accordingly, in

circumstances in which net asset value per share of an investment is not determinative of fair value, the Partnership estimates the fair value of an investment in an investment company using the net asset value per share of the investment (or its equivalent) without further adjustment, if the net asset value per share of the investment is determined in accordance with the specialized accounting guidance for Investment Companies as of the reporting entity's measurement date. The adoption of this guidance does not have a material effect on the financial statements.

The Partnership invests in various private equity funds. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. The Partnership may not withdraw from the funds at its discretion. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 5 to 8 years. The fair value of each individual investment has been estimated using the reported partners' capital balance of the investment.

There have been no significant changes in valuation techniques and related inputs used by the General Partner during the year ended December 31, 2009.

5. Market and Credit Risks of Debt Securities

The Partnership's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The significant types of financial risks to which the Partnership is exposed are listed below.

Market Risk

Market risk encompasses the potential for both losses and gains and includes price risk, currency risk and interest rate risk. The fair value of the investments will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuer. During periods of limited liquidity and higher price volatility, the Partnership's ability to dispose of investments at a price and time that the Partnership deems advantageous may be impaired.

Price Risk

The prices of securities held by the Partnership may decline in response to certain events, including those directly involving the companies whose securities are owned by the Partnership; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations.

Currency Risk / Foreign Markets Risks

The Partnership may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Partnership may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value of that portion of the Partnership's assets or liabilities denominated in currencies other than the functional currency.

The Partnership may have investments in various countries, including emerging market countries. Investments in these countries involve risks, including, but not limited to, risks relating to adverse political, social, and economic developments in other countries, as well as risks resulting from the differences between the regulations to which issuers and markets are subject in different

countries. These risks may include expropriation of assets, confiscatory taxation, withholding taxes on dividends and interest paid on Partnership investments, currency exchange controls, and other limitations on the use or transfer of Partnership assets and political or social instability. Such investments may also involve currency exchange rate risks. There may be rapid changes in the value of foreign currencies or securities, causing the fair value of Partnership investments to be volatile.

Interest Rate Risk

Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the fair value of a debt instrument indirectly and directly. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

The interest rate hedging transactions subject the Partnership to off balance-sheet risks, which include counterparty credit risk. The Partnership manages this exposure by entering into interest rate hedging transactions with internationally recognized financial institutions, which are expected to perform under the terms of the contracts, and evaluating the creditworthiness of the institutions by taking into account credit ratings and other factors.

Liquidity Risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with financial liabilities. Among other things, liquidity could be impaired by an inability to access secured and/or unsecured sources of financing.

Leverage Risk

The Partnership uses leverage directly and indirectly. The Partnership currently uses leverage mainly through the issuance of Notes payable and the Senior facility. The use of leverage will increase the volatility of the Partnership. While the use of borrowed funds will increase returns if the Partnership earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage will decrease returns if the Partnership fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the partner's capital of the Partnership than if the Partnership was not as leveraged.

Financing Risk

In the normal course of business, the Partnership enters into agreements with certain counterparties for OTC derivative transactions. These agreements contain among other conditions events of default and termination events, and various covenants and representations. At certain times during 2009, the Partnership was not in compliance with certain covenants in the agreements. If such events are not cured by the Partnership or waived by the counterparties, the counterparties may decide to curtail or limit extension of credit, and the Partnership may be forced to unwind its derivative positions which may result in material losses.

There is no guarantee that the Partnership's borrowing arrangements or other arrangements for obtaining leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Partnership. Unfavorable economic conditions also could increase funding costs, limits access to the capital markets or result in a decision by lenders not to extend

credit to the Partnership. In addition, a decline in market value of the Partnership's assets may have particular adverse consequences in instances where they have borrowed money based on the fair value of those assets. A decrease in fair value of those assets may result in the lender (including derivative counterparties) requiring the Partnership to post additional collateral or otherwise sell assets at a time when it may not be in the Partnership's best interest to do so.

Illiquidity of Investments

The Partnership may invest in securities, bank debt and other claims, and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and, for various reasons, the Partnership may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Restricted securities are generally fair valued at a price lower than similar securities that are not subject to restrictions on resale.

Some of the Partnership's investments may be illiquid and the Partnership may not be able to vary the portfolio in response to changes in economic and other conditions. The securities that are purchased in connection with privately negotiated transactions are not registered under the relevant securities laws, which may result in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the relevant registration requirements. Some of the bank loans, mezzanine securities and the structured investments that are purchased and sold are traded in private, unregistered transactions and therefore may be subject to restrictions on resale or otherwise have no established trading market. In addition, as the Partnership will likely be required to liquidate all or a portion of its portfolio quickly to meet debt acceleration requirements, the Partnership may realize significantly less than the fair value at which it previously recorded those investments. The Partnership may from time to time invest in derivative contracts traded over the counter, which are not traded in an organized public market and may be illiquid. Furthermore, the Partnership may face other restrictions in its ability to liquidate an investment in a business entity to the extent that the Partnership have or could be attributed with material non-public information regarding such business entity.

Credit Risk

Credit risk refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. The Partnership is subject to the credit risk of its custodians, prime brokers and counterparties to the extent they may be unable to fulfill their obligations either to return the Partnership's securities or to repay amounts owed. Credit risk is measured by the loss the Partnership would record if its counterparties failed pursuant to terms of their obligations to the Partnership.

The Partnership is subject to the credit risk of its custodians, prime brokers and counterparties to the extent they may be unable to fulfill their obligations either to return the Partnership's securities or to repay amounts owed. Credit risk is measured by the loss the Partnership would record if its counter parties failed pursuant to terms of their obligations to the Partnership.

Bank Loans
The Partnership invests in loans originated by banks and other financial institutions. The loans invested in by the Partnership may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated and may be purchased in the form of assignments or participations in all or a portion of loans from third parties. Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks. Based on activity in the bank loan market, the Partnership is exposed to liquidity risk as well as the risk of the borrower.

High Yield Debt
The Partnership invests in high yield debt whose rating is typically below investment-grade by one or more nationally recognized statistical rating organizations or is unrated but of comparable credit quality to obligations rated below investment-grade, and has greater credit and liquidity risk than more highly rated debt obligations. As a result, the Partnership is exposed to liquidity risk and the risk of the obligor.

6. Senior Facility

The Partnership and various financial institutions entered into a Credit Agreement dated April 18, 2001 with an aggregate line of credit of $325 million. This Credit Agreement terminated on January 19, 2006. All outstanding debt on this Credit Agreement was paid off and the Partnership entered into an amended and restated Credit Agreement with various financial institutions dated January 19, 2006 (the "Senior Facility"). The aggregate line of credit provided by the Senior Facility is $200 million. The Senior Facility allows for Eurodollar, Base Rate and Multi-currency loans and includes a Swingline facility. A commitment fee of 0.25% is payable for any unused portion of the total commitment. The scheduled termination date of the Senior Facility is April 30, 2011. As of December 31, 2009 and 2008, the Partnership had borrowed $0 and $13,657,786, respectively, under the Senior Facility.

Eurodollar loans can be drawn with three days notice for periods of one, two, three or six months and bear interest at the Eurodollar Rate (as defined in the Senior Facility) plus .35% per annum. The Eurodollar loans were terminated April 30, 2009. As of December 31, 2009, the Partnership had no Eurodollar loans outstanding. As of December 31, 2008, the Partnership had €9,770,913 of Eurodollar loans outstanding. This balance consists of one loan with an interest rate of 5.60% and a maturity date of January 2, 2009.

Base Rate loans can be drawn with one day's notice and bear interest at the higher of the federal funds effective rate plus 0.5% per annum, or the prime rate. As of December 31, 2009 and 2008, the Partnership had no Base Rate loans outstanding.

Multi-currency loans can be drawn with four days notice and bear interest at the Off-Shore Rate (as defined in the Amended Senior Facility) plus .35% per annum. Multi-currency loans can be denominated in Pounds Sterling, Canadian Dollars, Swedish Krona, Euros or U.S. Dollars. Multi-currency loans cannot exceed $105 million at any time. As of December 31, 2009 and 2008, the Partnership did not have any multi-currency loans outstanding.

Swingline loans, which may be drawn down or paid back daily, bear interest at the federal funds rate plus 1.0% per annum. Swingline borrowings cannot exceed $35 million at any time and, under the Indenture, swingline borrowings cannot exceed $15 million for more than fifteen

consecutive business days. As of December 31, 2009 and 2008, the Partnership did not have any swingline borrowings outstanding.

Interest incurred on the Senior Facility for the years ended December 31, 2009 and 2008 was \$162,337 and \$2,343,079, respectively. Cash paid for interest on the Senior Facility during the years ended December 31, 2009 and 2008 was \$196,330 and \$2,528,328, respectively.

7. Notes Payable

At December 31, 2009, pursuant to the New Indenture, the Partnership had five classes of notes (collectively, the "Notes"). The Notes had varying tranches as follows:

Class	Title	Principal (in millions) at December 31, 2009	Principal (in millions) at December 31, 2008	Interest	Interest Rate at December 31, 2009	Interest Rate at December 31, 2008
A-1	First Senior Secured Floating Rate Notes	-	93.5	LIBOR + 0.32%	-	3.740%
A-2	First Senior Secured Floating Rate Notes	3.3	14.1	LIBOR + 0.50%	0.781%	3.920%
B	Second Senior Secured Fixed Rate Notes	31.2	29.5	Fixed	5.707%	5.707%
B	Second Senior Secured Floating Rate Notes	11.4	11.1	LIBOR + 0.80%	1.081%	4.220%
C	Senior Subordinated Secured Fixed Rate Notes	8.0	7.5	Fixed	6.807%	6.807%
C	Senior Subordinated Secured Floating Rate Notes	45.1	43.5	LIBOR + 1.90%	2.181%	5.320%
D	Subordinated Secured Fixed Rate Notes	3.8	3.5	Fixed	10.157%	10.157%
D	Subordinated Secured Floating Rate Notes	19.1	17.9	LIBOR + 5.25%	5.531%	8.670%
E	Junior Secured Floating Rate Notes	14.0	12.8	LIBOR + 7.00%	7.281%	10.420%
E	Second Senior Facility (Notes)	5.4	22.7	LIBOR + 0.50%	0.781%	3.920%
	Total	141.3	256.1			

Interest is payable quarterly in January, April, July and October of each year for the Class A-1, A-2, B, E Notes and the Second Senior Facility, and semi-annually in April and October of each year for the Class C and D Notes. The Notes were scheduled to mature on April 30, 2011. However, due to the default and acceleration, the Notes will be paid down in accordance with the waterfall priority disclosed in this note. Members of the Bain Capital Group may own the Notes issued by the Partnership.

Interest incurred on the Notes for the years ended December 31, 2009 and 2008 was \$7,444,132 and \$16,658,286, respectively. Cash paid for interest during the years ended December 31, 2009 and 2008 was \$1,006,330, and \$17,212,973, respectively. Fees paid for the years ended December 31, 2009 and 2008 were \$18,241 and \$279,983, respectively.

In accordance with FASB ASC 825-10, the Company discloses the estimated fair values of certain of the Company's financial liabilities. At December 31, 2009, the Partnership estimated the fair value of the Class A-2, B Floating Rate, B Fixed Rate, C Floating Rate, C Fixed Rate, D Fixed Rate, D Floating Rate, E Floating Rate, and E Senior Facility Notes to be (in millions) \$3.3, \$28.0, \$9.3, \$5.4, \$25.7, \$1.2, \$5.7, \$0, \$5.3 respectively. At December 31, 2008, the

Partnership estimated the fair value of the Class A-1, A-2, B Floating Rate, B Fixed Rate, C Floating Rate, C Fixed Rate, D Fixed Rate, D Floating Rate, E Floating Rate, and E Senior Facility Notes to be (in millions) \$84.3, \$8.9, \$3.6, \$9.6, \$11.5, \$2.0, \$0.5, \$2.4, \$0, \$14.3, respectively. The fair value information presented above does not purport to represent, nor should it be construed to represent, the underlying "market" value of the Notes or the amount that would result from the sale, or settlement, of such Note. These estimates were based on a discounting of expected interest and principal distributions at the market rate of similar recently issued notes.

Defaults and Waivers to Indenture

The Indenture requires the Partnership to comply with certain conditions, which include an Over-Collateralization test that requires the Partnership to maintain a level of market value investments that exceeds the principal outstanding on the Notes. On October 9, 2008, the Partnership failed this Over-Collateralization test, which triggered an event of default. There are numerous potential consequences if default under the Indenture occurs and is not remedied. Many of those consequences are beyond the control of the Partnership. The occurrence of one or more events of default would give rise to the right of the Noteholders to exercise their remedies under the Indenture, without limitation, which includes the right to accelerate all outstanding debt and take actions authorized in such circumstances, any of which would impair the ability of the Partnership to operate its business as a going concern. During the year ended December 31, 2008, the Noteholders waived certain covenant violations outlined in the Indenture and exercised their right to accelerate the principal payment schedule of the Notes. Based on the terms outlined in the Pledge and Intercreditor Agreement, an event of default bestows control of the Partnership to the Controlling Class. On December 18, 2009, the Partnership was notified by the Controlling Class Representative of a Forbearance Agreement and a Notice of Revocation of Liquidation Direction. The Controlling Class Representative has notified the Partnership that it will not approve any Liquidation Acceleration or Liquidation Direction at any time when certain collateralization thresholds are met. The Controlling Class is currently comprised of more than 35% of the Class A-2 Noteholders, but will move down the tranches of Notes as the principal repayment is accelerated and classes are paid down.

Further, in accordance with the Pledge and Intercreditor Agreement, the principal will be paid down in the following priority as the Partnership generates cash through sales of investments:

a) Administrative expenses;
b) Interest due and payable to Senior Facility and Class A-1 Noteholders ratably until such amounts have been paid in full;
c) Principal due and payable to Senior Facility and Class A-1 Noteholders and net settlements on Secured Hedges ratably until such amounts have been paid in full;
d) Principal and interest due and payable to Second Senior Note and Class A-2 Noteholders ratably until such amounts have been paid in full;
e) Principal and interest due and payable to Class B Noteholders ratably until such amounts have been paid in full;
f) Principal and interest due and payable to Class C Noteholders ratably until such amounts have been paid in full;
g) Principal and interest due and payable to Class D Noteholders ratably until such amounts have been paid in full;
h) Principal and interest due and payable to Class E Noteholders ratably until such amounts have been paid in full;

During the year ended December 31, 2009, the Partnership partially paid down the Notes in accordance with the priority stated in the Pledge and Intercreditor Agreement. In accordance with the priority stated above, $13,657,786 and $93,460,913 of the principal of the Senior Facility and Class A-1 Notes, respectively, were paid down and $196,330 and $651,180 was paid related to the interest on the Senior Facility and Class A-1 Notes, respectively. In addition, $10,925,960 and $17,559,578 of the principal of the Class A-2 Notes and Second Senior Facility Notes, respectively, were paid down and $136,222 and $218,928 was paid related to the interest on the Class A-2 Notes and Second Senior Facility Notes, respectively. After the event of default occurred, the Partnership was not able to pay interest to the Class B, C, D, and E Notes and capitalized this unpaid interest to the principal outstanding of the Notes.

During the year ended December 31, 2008, the Partnership partially paid down Noteholders in accordance with the priority stated in the Pledge and Intercreditor Agreement. In accordance with the priority stated in Note 7, $0 and $126,539,087 of the principal of the Senior Facility and Class A-1 Notes, respectively, were paid down and $720,000 and $9,073,004 was paid related to the interest on the Senior Facility and Class A-1 Notes, respectively.

8. Related Party Transactions

The Partnership entered into an Investment and Advisory Agreement dated April 18, 2001 (the "Advisory Agreement") with Sankaty Advisors, LLC (the "Investment Advisor"), a Delaware limited liability company and related party of the General Partner. In consideration for a management fee, the Investment Advisor provides advisory, administrative and monitoring functions to the Partnership. The management fee is equal to 1.0% per annum of $700 million (the total commitments of the Notes, Senior Facility and partners' capital) and is payable quarterly in advance until the Senior Facility matures. Thereafter, the management fee will be paid quarterly in arrears and will equal 1.0% per annum of the Average Total Assets (as defined by the Advisory Agreement) of the Partnership during such quarter.

The Investment Advisor may voluntarily waive all or a part of its management fee with respect to interests in the Partnership held by members of the Bain Capital Group. The Investment Advisor waived all management fees for the year ended December 31, 2009 and will waive fees through the liquidation date of the Partnership. The amount of fees waived during the year ended December 31, 2008 was $816,941.

During the years ended December 31, 2009 and 2008, $631,467 and $515,223, respectively, of the Partnership's expenses were paid by a related party of the General Partner and reimbursed by the Partnership. There was a payable of $0 and $262,838, respectively, for the years ended December 31, 2009 and 2008.

Brookside Capital Partners Fund, L.P. ("Brookside")
The Partnership held a $5 million interest in Brookside, an entity managed by Brookside Capital Partners, Inc., a related party of the General Partner which was redeemed on March 31, 2008. At December 31, 2009, the Partnership recorded a $375,667 realized loss on the sale of the investment. As of December 31, 2009 and 2008, the Partnership had a receivable of $1,054,943 and $2,809,029, respectively, from Brookside for a redemption holdback and the value of designated investments, which is included in the receivable for investments sold in the Statement of Net Assets.

Race Point CLO, Ltd. ("Race Point")
The Partnership has invested in Race Point, a cash flow Collateralized Debt Obligation ("CDO") managed by the Sankaty Advisors, LLC. This entity was established for the purpose of making leveraged investments in high yield securities - both bank loans and corporate bonds – and commenced operations in November 2001. Race Point's capital structure consists of $503 million of various classes of debt and Subordinated Interest. Subordinated Interest is unsecured and subordinated with respect to cash payments to all other debt holders. The Subordinated Interest holders do not control the CDO. The Partnership's investment of $6,000,000 of Race Point Subordinated Interest is reflected in the accompanying Schedule of Investments.

During the years ended December 31, 2009 and 2008, the Partnership received income distributions of $222,974 and $847,606, respectively, from its investment in Race Point, which represent a return of the Partnership's investment in Race Point. This amount is included in cost of investments in the accompanying Statement of Net Assets. The CDO pays a management fee to the Investment Advisor equal to 0.275% annually of the sum of total par of the CDO and cash. The CDO may also pay a subordinated management fee equal to 0.25% annually of the sum of total par of the CDO and cash if certain criteria in the CDO are met. Beginning in August of 2005, the Partnership is being charged management fees by Race Point. Previously, these fees were waived by Race Point.

Race Point II CLO, Ltd. ("Race Point II")
The Partnership has invested in Race Point II, a cash flow CDO managed by the Sankaty Advisors, LLC. This entity was established for the purpose of making leveraged investments in high yield securities - both bank loans and corporate bonds - and commenced operations in April 2004. Race Point II's capital structure consists of $550 million of various classes of debt and Subordinated Interest. Subordinated Interest is unsecured and subordinated with respect to cash payments to all other debt holders. The Subordinated Interest holders do not control the election of the directors. As of December 31, 2009 and 2008, the Partnership held $1,500,000 of Class D-1 Floating Rate Notes and $6,320,000 of Subordinated Interest.

During the years ended December 31, 2009 and 2008, the Partnership received income distributions of $130,358 and $1,266,627, respectively, from its investment in Race Point II, which are included in dividends and other income in the accompanying Statements of Operations. During the year ended December 31, 2009 the Partnership received a distribution of $286,586, which represents a return of the Partnership's investment in Race Point II. This amount is included in cost of investments in the accompanying Statement of Net Assets. The CDO pays management fees to the Investment Advisor equal to 0.10% annually of the sum of total par of the CDO and cash. The CDO also pays subordinated management fees equal to 0.50% annually of the sum of total par of the CDO and cash if certain criteria in the CDO are met.

During the years ended December 31, 2009 and 2008, the Partnership received interest payments of $142,975 and $177,898, respectively, from its investment in the Race Point II Class D-1 Floating Rate Notes, which are included in interest income in the accompanying Statements of Operations.

Castle Hill III CLO, Ltd. ("Castle Hill III")
The Partnership has invested in Castle Hill III, a cash flow CDO managed by Sankaty Advisors LLC. This entity was established for the purpose of making leveraged investments in high yield securities – both bank loans and corporate bonds - and commenced operations in August 2004. Castle Hill III's capital structure consists of $300 million of various classes of debt and

Subordinated Interest. Subordinated Interest is unsecured and subordinated with respect to cash payments to all other debt holders. The Subordinated Interest holders do not control the election of the directors. As of December 31, 2009 and 2008, the Partnership held $23,850,000 of Class C-1 Floating Rate Notes and $9,900,000 of Subordinated Interest.

During the years ended December 31, 2009 and 2008, the Partnership received income distributions of $313,828 and $2,392,039, from its investment in Castle Hill III, which are included in dividends and other income in the accompanying Statements of Operations. The CDO pays management fees to the Investment Advisor equal to 0.10% annually of the sum of total par of the CDO and cash. The CDO also pays subordinated management fees equal to 0.55% annually of the sum of total par of the CDO and cash if certain criteria in the CDO are met.

During the years ended December 31, 2009 and 2008, the Partnership received interest payments of $679,643 and $1,228,299, respectively, which are included in interest income in the accompanying Statements of Operations.

Bain Capital Investments
Certain other investments included in the accompanying Schedule of Investments have been issued by organizations in which investment funds advised by a related party have made substantial equity investments and may control the organization. At December 31, 2009 and 2008, the aggregate value of these securities was $25,024,400 and $37,247,837 respectively.

From time to time the Partnership may purchase or sell investments to other entities advised by the Investment Advisor. All such cross trades are executed at a price provided by a third party, where available. If no third party price is available, the Investment Advisor will purchase or sell the asset to a third party to determine a price or utilize another third party price source approved by the Investment Advisor's Compliance Group. All such cross trades are reviewed by the Investment Advisor's Compliance Group. During the years ended December 31, 2009 and 2008, the Partnership bought and sold investments to other entities advised by the Investment Advisor or its affiliates at fair value for the proceeds of $18,834,227 and $42,259,994 respectively, resulting in net realized losses of $6,547,021 and $401,836, respectively.

9. Commitments

Certain of the limited partnerships in which the Partnership has invested have subscription agreements that were not fully drawn at December 31, 2009 and 2008. Amounts subject to call totaled $227,800 and $284,750 at December 31, 2009 and 2008, respectively. Certain of the Partnership's investments in revolving bank loans included unfunded commitments. As of December 31, 2009 and 2008, unfunded revolver commitments totaled $1,871,179 and $1,709,024, respectively.

In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. However, based on experience, the General Partner expects the risk of loss to be remote.

10. Partners' Capital Accounts and Allocations

Operating Income, Operating Expenses, Investment Profits and Investment Losses, subject to certain adjustments, are allocated to the partners at least annually. Operating Income and Operating Expenses are allocated to the General Partner and to the limited partners pro rata according to their respective contributed capital accounts. Operating Income and Operating Expenses with respect to each period are allocated to the partners before Investment Profits and Investment Losses. The allocation of Investment Profits and Investment Losses is based upon the relative balance in each partner's capital account. The amount and timing of all distributions of cash, securities or other property will be at the sole discretion of the General Partner.

Realized and unrealized profits and losses on certain securities involving initial public offerings are allocated only to those partners that are not considered restricted persons as defined by the Financial Industry Regulatory Authority, Inc. ("FINRA"). Effective March 1, 2004, the FINRA rules were revised and these securities, formerly defined as "Hot Issues," are now redefined as "New Issues."

The new rules allow the Partnership to rely on a "de minimus" exception for those partners who do not participate in New Issues. These partners are allowed New Issue gains and losses at the same percentage as their beneficial ownership unless the combined beneficial ownership of these partners exceeds 10%, in which case only 10% of the New Issue gains and losses will be allocated. The remaining New Issue gains and losses are allocated to those partners who do participate in New Issues. The accounts of those partners who do not participate in New Issues are credited with interest on their proportionate share of the funds utilized to purchase New Issues. There were no New Issues allocated for the years ended December 31, 2009 and 2008.

The General Partner is entitled to certain allocations of the Partnership's Net Investment Profits and Investment Losses ("Carried Interest") after the Limited Partners have achieved a certain Annualized Internal Rate of Return ("IRR"). Net Investment Profits and Investment Losses are allocated: First, pro rata to all partners until the Limited Partners have achieved an 8% IRR; Then, to the General Partner as Carried Interest, until this cumulative amount credited to the General Partner equals 20% of the Allocated Cumulative Investment Profits ("Cumulative Profits"); Then, to all partners pro rata until the earlier of the cumulative amount credited to partners equals 80% of the Cumulative Profits or the limited partners have achieved a 25% IRR; Then, 80% pro rata to all partners and 20% to the General Partner until the limited partners have achieved a 25% IRR; Next, to the General Partner until the cumulative amount credited to the General Partner equals 25% of the Cumulative Profits; Then, to all partners pro rata until the earlier of the cumulative amount credited to partners equals 75% of Cumulative Profits or the limited partners have achieved a 30% IRR; Then, 75% pro rata to all partners, and 25% to the General Partner until the limited partners have achieved a 30% IRR; Next, to the General Partner until the cumulative amount credited to the General Partner equals 30% of Cumulative Profits; Lastly, 70% pro rata to all partners, and 30% to the General Partner. As of the last business day of each fiscal period in which net loss was initially apportioned to the Limited Partners, such net loss will then be allocated between each Limited Partner and the General Partner so as to reverse any net profits allocated as provided above. The General Partner may waive all or any part of the Carried Interest that it would otherwise be entitled to receive from partners who are members of Bain Capital. For the year ended December 31, 2009, there was $0 of Carried Interest allocated. For the year ended December 31, 2008, $8,574,490 of Carried Interest previously allocated to the General Partner was allocated back to the Limited Partner.

11. Subsequent Events

Subsequent to year end and through March 16, 2010, the Partnership has made three payments totaling $5,522,189. In accordance with the priority stated in Note 7, $2,113,302 and $3,396,378 of the principal of the Class A-2 Floating and Second Senior Facility Notes, respectively, was paid down, and $4,798 and $7,711 was paid related to the interest on the Class A-2 Floating and Second Senior Facility Notes, respectively. Additionally, the Investment Advisor waived management fees for the period January 1, 2010 though March 16, 2010 and will waive management fees through the liquidation of the Partnership.